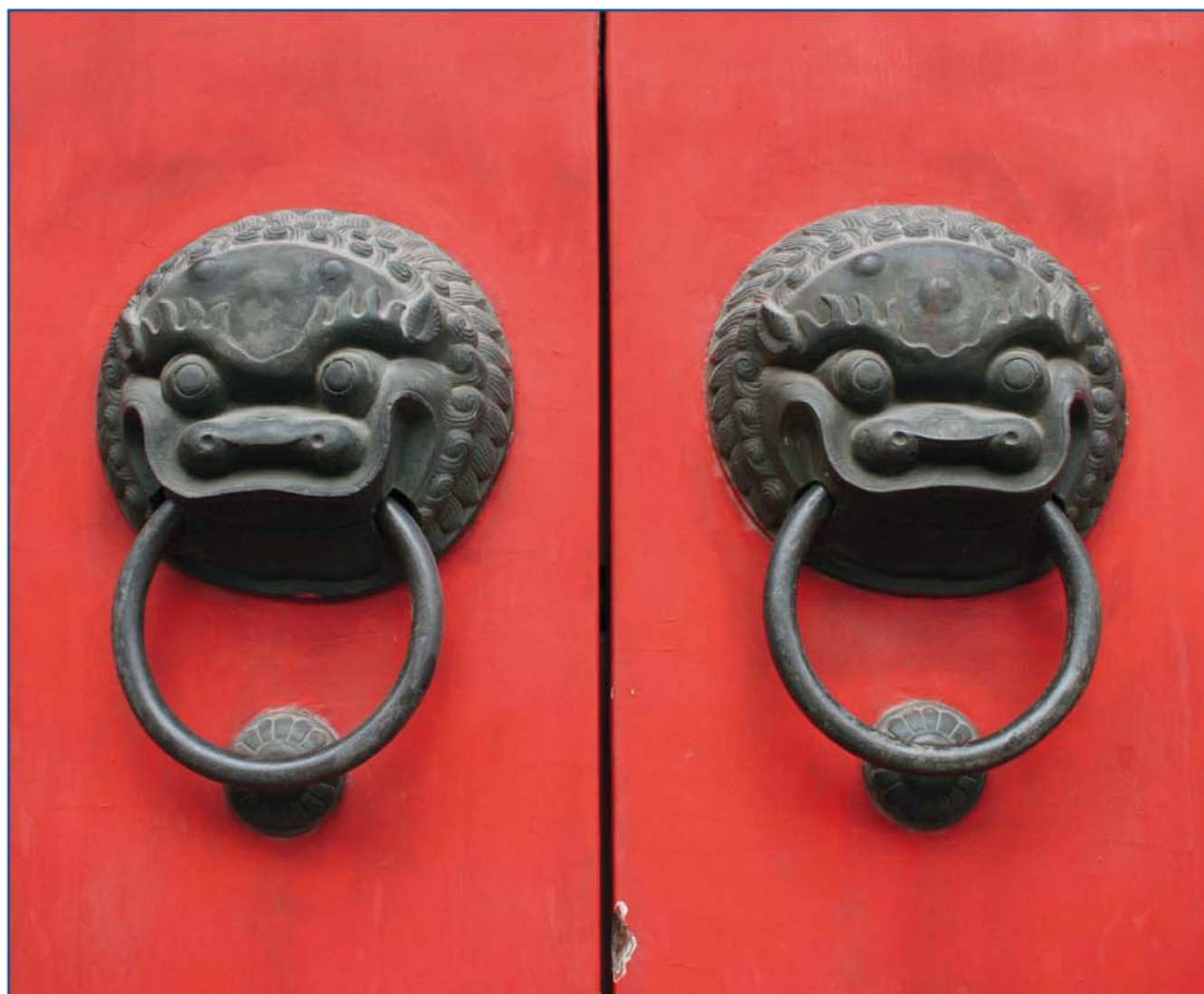




The Chinese Outbound Travel Market

2012 Update



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It forms part of ETC's ongoing Market Intelligence Programme and was carried out under the supervision of Ms Carla Aguirre, Head of Business Intelligence at VisitSweden and Ms Lisa Davies (ETC) on behalf of ETC's Market Intelligence Group (MIG) in collaboration with UNWTO's Tourism Trends and Marketing Strategies Programme.

We would also like to acknowledge the support of our partners – European Cities Marketing (ECM) and the European Tour Operators Association (ETOA) – to ETC's Market Intelligence Programme.

Foreword

Over the past decade outbound tourism from China has grown exponentially, with the Chinese market becoming one of the sector's major growth opportunities. When the first UNWTO/ETC report on the Chinese Outbound Travel Market was published in 2008, the Chinese made 34.5 million trips abroad (2006). By 2012, this figure had risen to 83 million, and continues to increase steadily. Of these, over three million Chinese travellers ventured to Europe with increasing numbers exploring the continent's off-beaten tracks.

The tourism sector is keen to understand the impact of the Chinese outbound travel in the future and discover ways to adapt its offer to this dynamic market. An essential first step to ensure destinations and companies develop and distribute products that fully meet the Chinese market is to comprehend the behavior and mind-set of Chinese outbound travellers.

In response to this need, ETC and UNWTO have commissioned the present report which aims at satisfying the information requirements of a wide range of destinations and practitioners. The report will not only provide strong guidance to ETC's challenging task of promoting Europe in the Chinese market, but will also provide useful support to all destinations and companies seeking to join the growing list of those tapping into the growing potential of the Chinese outbound market.

ETC and UNWTO are very pleased that once again the cooperation and collaboration between the two organisations has delivered another practical market report, which we expect can be a tool to increase the competitiveness of our Members in one of the key emerging tourism opportunities of the new millennium.

Petra Hedorfer

President

European Travel Commission (ETC)

Taleb Rifai

Secretary-General

World Tourism Organization (UNWTO)

Executive Summary

Summary of key market trends

- China has been over the past decade, and still is, the fastest-growing tourism source market in the world. Thanks to rapid urbanization, rising disposable incomes and relaxation of restrictions on foreign travel, the volume of international trips by Chinese travellers has grown from 10 million in 2000 to 83 million in 2012, equivalent to an average growth of 19% a year in that period.
- In 1995, the World Tourism Organization (UNWTO) predicted that China would generate 100 million arrivals worldwide annually by 2020 (UNWTO, Tourism 2020 Vision). In view of recent trends, it is on course to reach that target in or before 2015.
- Expenditure by Chinese tourists abroad has increased almost eightfold since 2000. In 2012, Chinese travellers spent a record US\$ 102 billion in international tourism, boosted by an appreciating Chinese currency. With the fast growth in the past decade, China has become the largest spender in international tourism globally in 2012, surpassing both second largest spender United States and top spender Germany (both exceeding US\$ 80 billion in 2012).
- As in the majority of the world's source markets, outbound travel from China heads predominantly to regional destinations. The Asia and the Pacific region accounted for 91% of Chinese trips (64 million) in 2011. The Special Administrative Regions (SARs) of Hong Kong and Macao took the lion's share, respectively 28 million (40%) and 19 million (28%). Another 16 million trips (23%) were to the other destinations in the region, with the Republic of Korea, Taiwan (province of China), Malaysia, Japan, Thailand, Vietnam and Singapore, all receiving between 2.4 million and over a million.
- Beyond Asia and the Pacific, Europe is the largest destination region for Chinese travellers with over 3 million trips (4.4%) in 2011. The Americas follows with almost 2 million (2.7%) Chinese departures, while Africa was the destination of almost 1 million departures (1.4%).
- The United States of America is the only destination outside Asia receiving over 1 million Chinese travellers.
- In Europe, neighbouring country Russian Federation is the first destination with some 800,000 Chinese travellers in 2011, followed by the United Kingdom, Germany and France with between 300,000 and 400,000, while the remainder is spread over a large number of smaller destination countries.
- In the period 2000-2012, growth in departures averaged 19% a year, with fastest growth in the first 5 years (2000-2005: 24% a year; 2005-2012: 15% a year).
- Departures to intra-regional destinations grew slightly faster than average between 2000 and 2011 (20% a year).
- Outside Asia and the Pacific, growth has been fastest in departures to Africa at 32% a year on average, but from a modest base. Departures to the more mature regions of Europe (10% a year) and Americas (12% a year) grew below average. As growth has been faster in other regions, in particular in Asia, the share of Europe has noticeably decreased in time and the share of the Americas to a lesser extent.
- Nevertheless, in absolute terms the growth in volume to both regions is impressive, with arrivals roughly tripling in just over a decade, respectively Europe from 1.1 million in 2000 to 3.1 million in 2011 and the Americas from 0.5 million to 1.9 million.

- One reason for Europe's declining share of outbound trips is the changing composition of travellers; the share of business and official trips in total Chinese outbound travel decreased from 46% in 2000 to 10% in 2010, while the share of private and leisure travel increased.
- In the last decade, the attention of the European tourism industry has been focused on the Chinese group leisure tour market, which opened up as a result of the granting of Approved Destination Status (ADS) to most European countries in 2004. ADS is the scheme that authorizes countries to receive leisure tour group travellers from China.
- Although international trip volume has grown rapidly over the past two decades, it is still modest relative to the size of China's population. Given the favourable socio-economic environment, Chinese tourists' propensity to travel abroad is expected to continue rising in the coming decades. China's ballooning middle class, increasing leisure time and the extension of paid holidays are among the factors that will drive growth in the future.
- Europe ranks high on the Chinese traveller's 'wish list'. Research invariably shows Europe and individual European destinations among the most favourite. For instance, in 2010 Europe was chosen as the most desired destination by 40% of respondents to a survey in Shanghai.

Demographic and economic overview

- China has the world's largest population with 1.35 billion, equivalent to almost 1 in 5 inhabitants, and the third largest surface area (after the Russian Federation and Canada).
- In 2010, China surpassed Japan to become the world's second largest economy after the United States of America, and it is expected to continue seeing fast growth in the coming years. On an income per capita basis, however, China is still among the world's poorer countries, at US\$ 5,400 per year. In addition, Chinese household income as a share of GDP is one of the lowest in the world. This is expected to change as economic policy shifts its focus from investment to consumption.
- One of the most important drivers of outbound travel has been the rise in disposable incomes, reaching an average of CNY 22,000 (US\$ 3,400 or € 2,400) for the urban population in 2011 (and growing at double digits). Demand is further boosted by an appreciating Yuan (CNY), which was unpegged again from the US\$ in 2010, after a period of fixed exchange rates following the financial crisis (2011: US\$ 1 to CNY 6.46; CNY 1 to US\$ 0.1547; € 1 to CNY 9.00; CNY 1 to € 0.1112; 2012: US\$ 1 to CNY 6.31; CNY 1 to US\$ 0.1585; € 1 to CNY 8.11; CNY 1 to € 0.1233).
- Most outbound travel is from China's three leading cities and surrounding regions – Beijing, Shanghai and Guangzhou – but, thanks to rapid urbanization, second-tier cities are also emerging as sources of growing demand.
- Over the next decade, China's changing age structure will see an expansion in the 35-60 year age segment, which is overrepresented among travellers to Europe. Working-age empty nesters – those whose children are more than 20 years old and economically independent – are expected to be one of the fastest growing demographic segments for outbound travel. The main source of growth in travel demand, however, is expected to be the young, affluent middle class that could reach 500 million by 2025.
- One of China's three 'Golden Weeks' – the official Chinese holiday periods when most Chinese traditionally travel – had been divided into shorter holidays since 2008, promoting domestic travel at the expense of long-haul destinations. On the other hand, China has started to institutionalize holiday pay for workers, which is likely to result in more evenly distributed holiday travel and longer travelling periods.
- There is a growing ability and desire among the Chinese to spend money on leisure, including tourism – as well as a greater willingness to use credit cards to do so. The number of credit cards in China increased 15-fold in five years, reaching 150 million by the end of 2009.

- Despite the significant liberalisation of outbound travel, China is one of the few countries in the world where outbound travel legislation continues to influence tourism. These, coupled with the difficult, expensive and complex visa application process for many countries, are still a significant deterrent to growth.
- This also ensures that the vast majority of leisure tourists to Europe travel to countries with Approved Destination Status (ADS) in organised tour groups, which is for many not the most attractive segment of the market in terms of profitability.

Outbound travel trends

- The Chinese made 83 million outbound trips in 2012, up 18% over 2011.
- Although Chinese travel abroad has more than doubled from 2005 to 2012, the ratio of domestic to outbound trips was still 36:1 in 2012 (down from 39:1 in 2005), reflecting huge growth potential.
- Expenditure by Chinese tourists abroad has almost quintupled since 2005, with China becoming the biggest international tourism spender in 2012, surpassing Germany and the United States of America.
- In 2010, half of all Chinese tourists spent at least CNY 5,000 in their outbound trips.
- Chinese leisure travellers are very price-conscious in terms of their outlay regarding transport, accommodation, food and beverages, but they are big spenders when it comes to shopping. In 2010, as much as a fourth of travellers cited shopping as the area of paramount expenditure.
- In 2011, 91% of all outbound trips were to other Asian destinations.
- After the SAR's of Hong Kong (China) and Macao (China), the top destinations for Chinese outbound travellers are the Republic of Korea, Japan, and Singapore.
- According to the official outbound count from China National Tourism Administration (CNTA), the Russian Federation, France, Germany, Switzerland and Austria are the main destinations in Europe for the Chinese (but the count only includes first point of call on a trip).
- The ranking of leading destinations in terms of holiday travel – those most commonly offered by tour operators – suggests that France, Germany, and Italy are the most popular destinations in Europe. The main competitors for Europe are the United States of America (which still attracts mainly students and business/technical visitors from China, but has recently formed an ADS agreement with China) and Australia.
- A large share of Chinese outbound travellers (47%) is from the income range of CNY 5,001-10,000; 11% earn more than CNY 10,000.
- Chinese travellers aged 25-44 make up 65% of all outbound travellers. This represents an important increase since 2007 when this age group accounted for around 50% of all outbound tourists. Younger tourists account for 21% of overseas travellers, while tourists aged 45 and above account for 15%. It is worth noting, however, that the latter age group accounts for a higher proportion of long-haul travellers, especially to Europe and Australia. This group is also expected to increase its share of outbound travel in the future, as the Chinese population ages.
- Most travel to Europe takes place between the months of May and September, with 47% of tourists travelling in family groups and most of the remainder with friends (only 7% travel entirely without companions).

Air transport

- China will be the world's second largest aviation market in the next decade, according to the leading aircraft manufacturers Boeing and Airbus. The country's air travel grew from 138 million passengers in 2005 to 293 million by 2011.
- With the huge growth in international and domestic passenger traffic and airline capacity in recent years – not least to Europe – airports are heavily congested. The authorities have pledged to invest CNY 425 billion during the country's 12th Five-Year Plan (2011-2016) to construct new and expand old airports.
- In September 2010, 23 airlines operated 471 weekly flights from mainland China and Hong Kong (China) to Europe (excluding the Russian Federation), with a total capacity of 140,000 seats. With a 20% increase in the number of flights since 2009, it is apparent that demand is picking up after the global economic downturn.
- International airlines face practical and political difficulties in raising their capacity in line with demand, but increasing traffic rights and alliances are driving growth and helping them to secure their market presence.

Travel agencies

- In 2010, 1,070 travel agencies in China were licensed to sell international travel, up from 672 in 2005.
- The vast majority of outbound trips, excluding those to Hong Kong (China) and Macao (China), are handled by travel agents.
- The ADS (Approved Destination Status) market is strictly regulated and agents who 'lose' tourists or otherwise displease the authorities are liable to be removed, temporarily or permanently, from the list of authorised ADS operators. New regulations were adopted in 2009 to further strengthen the control and supervision over travel agencies.
- The main travelling periods for tour groups sold by travel agents are around the two remaining national holiday periods: the so-called 'Golden Weeks'. These are the Spring Festival during the Chinese New Year, and the National Day Holiday (first week in October).
- Consumer research on destinations is increasingly carried out online – 68% of outbound travellers use that channel – but brochures and TV programmes are still popular.

Online travel

- The growth of Internet usage in China is staggering; from being non-existent a decade ago, it will soon surpass the half a billion users, or 36% of the population, and is on track to hit 750 million users by 2015.
- Online travel companies are emerging, with Ctrip and Qunar taking the lead. A string of recent acquisitions by Chinese and foreign Internet giants will increase the competition in the market.
- The Internet is an increasingly important source for travel information. 68% of Chinese outbound travellers search the web for information before deciding on the destination; 18% visit regional or national tourism offices online.
- Online travel booking is still underdeveloped in China, with only 13% of travellers using the Internet to make travel bookings. However, with a 30% growth rate and over 60% of travel bookings being made online in western countries, the potential is huge.

- Driving this process forward will be the expansion of low-cost airlines, the increased use of credit cards, and the growth of the internet and the Chinese economy. But it will not all be plain sailing for European suppliers since progress is likely to be inhibited by the continued requirement for visas from most ADS countries, restrictions on the ability of many Chinese to travel, and the tradition of relying on cash transactions.
- 15 national tourism organisations (NTOs) from Europe offer information through their websites in simplified Chinese.

Introduction to China

1.1 Country Overview

1.1.1 Geography

Situated in North-East Asia, the People's Republic of China is the third largest country in the world (after the Russian Federation and Canada), with a land area of some 9.6 million km².

It has 20 neighbouring countries. The Russian Federation and Mongolia lie to the North; the Democratic People's Republic of Korea to the North-east; and Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan and Pakistan to the West. India, Nepal, Bhutan, Myanmar, Lao PDR and Vietnam are situated to the South of China; to the East and South – across the Yellow Sea, the East China Sea and the South China Sea – lie the Republic of Korea, Japan, the Philippines, Malaysia, Indonesia, Brunei and Singapore.

1.1.2 Population

China is the most populous country in the world, with a population of 1.35 billion in 2011,¹ equivalent to 19% of the world population or almost 1 in 5. The population density overall is about 140 per km², comparable to that of Switzerland and the Czech Republic.²

In 2011, the proportion of population living in urban areas exceeded that of the countryside for the first time (respectively 691 million (51.3%) versus 657 million (48.7%).³ The household registration system is less stringent than it once was, resulting in rapid urbanisation and a floating population of 230 million rural migrant workers without residence permits in cities.⁴

According to the *UN World Urbanization Prospects – The 2011 Revision*, China currently has at least 94 urban agglomerations with a population of over 1 million,⁵ 20 of which rank among the 100 largest in the world. China will have increased its number of agglomerations with 0.5 million or more inhabitants by 146 to 381 in 2025. Meanwhile, the urbanisation rate is forecasted to reach 65% by 2025.

The fertility rate (the average number of children per female) is estimated at 1.64. Infant mortality was 22 per thousand live births in the period 2005-2010 and life expectancy at birth was 72.7 years.⁶ As a result of the one-child policy combined with fast economic development, China has seen its birth rate fall to 13 births per 1,000, while the death rate has fallen much more steeply to 7 per 1,000.⁷

China is expected to see its population reach a maximum of 1.4 billion around 2026, while that of low fertility Europe is projected to peak around 2022 at 0.74 billion.⁸

1 National Bureau of Statistics of China, *2011 National Sample Survey on Population Changes* (Online), available: www.stats.gov.cn/english/newsandcomingevents/t20120120_402780233.htm (26-11-2012).

2 United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects – The 2010 Revision* (Online), available online at: <http://esa.un.org/unpd/wpp/index.htm> (26-11-2012).

3 National Bureau of Statistics of China, *2011 National Sample Survey on Population Changes* (Online), available: www.stats.gov.cn/english/newsandcomingevents/t20120120_402780233.htm (26-11-2012).

4 Ibid.

5 United Nations, Department of Economic and Social Affairs, Population Division, *World Urbanization Prospects – The 2011 Revision* (Online), available online at: <http://esa.un.org/unpd/wup/index.htm>.

6 United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects – The 2010 Revision* (Online), available online at: <http://esa.un.org/unpd/wpp/index.htm> (26-11-2012).

7 Ibid.

8 Ibid.

China is thus experiencing a compressed demographic transition, from a largely rural agrarian society with high fertility and mortality rates to a predominantly urban industrial and services society with low fertility and mortality rates. Over the past decades, this has meant a productive national demographic structure, with working-age people making up a large share of the population. The results have been an abundant labour supply and a comparatively light pension burden.

Another consequence of the one-child policy, however, has been a sharp increase in the sex ratio at birth in favour of male offspring, and in excess female mortality at young ages in rural areas. The ratio stood at 120 males per 100 females in China as a whole in the period 2005-2010.⁹

While the one-child policy has been strongly enforced mainly in urban areas, the actual implementation varies from location to location. Though scepticism over the longevity of the one-child policy has persisted, the official line is that it will be maintained and improved, continuing to curb population growth.

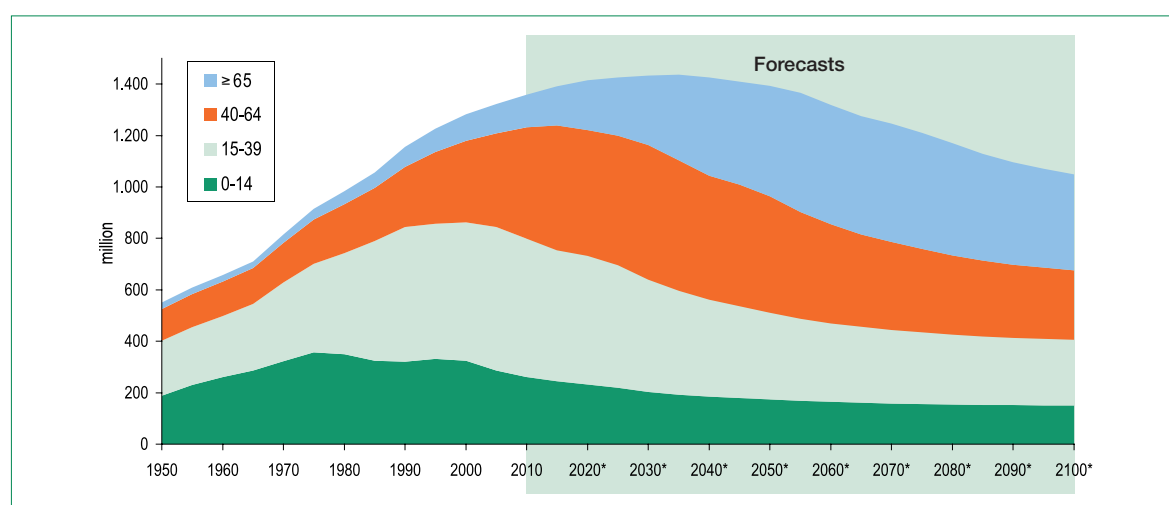
Table 1.1 Population of China by age group, actual (2000 and 2010) and forecast (2020 and 2030) (%)

Age (years)	2000	2010	2020	2030
0-14	25.2	19.2	16.4	14.2
15-59	63.6	67.3	64.7	59.3
≥ 60	11.2	13.5	18.9	26.5

Source: *World Population Prospects – The 2010 Revision*, medium-fertility variant, United Nations, Department of Economic and Social Affairs, Population Division.

As indicated in table 1.1 and figure 1.1, China's working age population has grown more rapidly than the population dependent on it, freeing up resources for investment in economic development and family welfare. Unfortunately the 2020 and 2030 forecast in table 1.1 shows a reversal of this trend; the 'demographic dividend' might become a 'demographic tax'. The previously seemingly endless labour force will dwindle, further severed by a current dip in the population of rural youth (a mark left a generation down by the Great Leap Forward famine of 1959-1961) – and welfare costs for the ageing population will increase. This development will become apparent in the coastal regions first.¹⁰

Figure 1.1 Population of China by age group, 1950-2100 (million)



Source: Compiled by UNWTO based on *World Population Prospects – The 2010 Revision*, 2010-2100 medium-fertility variant, United Nations, Population Division (<http://esa.un.org/unpd/wpp/index.htm>).

⁹ Ibid.

¹⁰ Ministry of Health (2010), *China Health Statistical Yearbook*, Peking Union Medical Press, Beijing.

1.1.3 Language and Ethnic Groups

The national language of China is Mandarin (Putonghua), spoken throughout the mainland, and even increasingly in Macao (China) and Hong Kong (China) where Cantonese is the primary dialect, as it is in Guangdong Province. Other important dialects include Shanghainese, Fujianese, Hokkien-Taiwanese and Hakka.

91.5% of the population is Han Chinese;¹¹ the remainder includes such ethnicities as Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean and other nationalities.

Buddhism and Taoism are two of the major religions in China, with Christianity and Islam having a relatively small number of followers. China is officially atheist, but law protects freedom of religious belief.

1.2 Administrative Divisions

Mainland China is divided into 22 provinces, five autonomous regions and four municipalities. The five autonomous regions are Guangxi, Inner Mongolia, Xinjiang, Ningxia and Tibet. The four municipalities are Beijing (the capital), Chongqing, Shanghai and Tianjin.



Source: http://en.wikipedia.org/wiki/Administrative_divisions_of_the_People's_Republic_of_China.

¹¹ National Bureau of Statistics of China (2011), *2010 National Population Census* (Online), available: www.stats.gov.cn/was40/gj/tj_en_detail.jsp?searchword=minorities&channelid=9528&record=4 (26-11-2012).

Table 1.2 Administrative divisions of China

Administrative regions	Surface (km ²)	Population				Density (inhabitants per km ²)	Capitals and cities specially designated in the State Plan	Population (million)
		of which						
		(million)						2010
		2011	urban	rural	urban (%)			2010
China	9,506,931	1,347	691	657	51.3	142		
Province								
Guangdong	179,813	105.1	69.9	35.2	66.5	584	Guangzhou	8.1
							Shenzhen	2.6
Shandong	157,126	96.4	49.1	47.3	50.9	613	Jinan	6.0
							Qingdao	7.6
Henan	165,536	93.9	38.1	55.8	40.6	567	Zhengzhou	9.6
Sichuan	484,056	80.5	33.7	46.8	41.8	166	Chengdu	11.5
Jiangsu	106,742	79.0	48.9	30.1	61.9	740	Nanjing	6.3
Hebei	188,434	72.4	33.0	39.4	45.6	384	Shijiazhuang	9.9
Hunan	211,855	66.0	29.8	36.2	45.1	311	Changsha	6.5
Anhui	140,126	59.7	26.7	32.9	44.8	426	Hefei	4.9
Hubei	185,888	57.6	29.8	27.7	51.8	310	Wuhan	8.4
Zhejiang	105,397	54.6	34.0	20.6	62.3	518	Hangzhou	6.9
							Ningbo	5.7
Yunnan	383,194	46.3	17.0	29.3	36.8	121	Kunming	5.8
Jiangxi	166,894	44.9	20.5	24.4	45.7	269	Nanchang	5.0
Liaoning	148,064	43.8	28.1	15.8	64.0	296	Shenyang	7.2
							Dalian	5.9
Heilongjiang	452,645	38.3	21.7	16.7	56.5	85	Harbin	9.9
Shaanxi	205,795	37.4	17.7	19.7	47.3	182	Xi'an	7.8
Fujian	124,016	37.2	21.6	15.6	58.1	300	Fuzhou	6.5
							Xiamen	1.8
Shanxi	156,711	35.9	17.9	18.1	49.7	229	Taiyuan	3.7
Guizhou	176,152	34.7	12.1	22.6	35.0	197	Guiyang	3.4
Jilin	191,124	27.5	14.7	12.8	53.4	144	Changchun	7.6
Gansu	404,091	25.6	9.5	16.1	37.2	63	Lanzhou	3.2
Hainan	35,354	8.8	4.4	4.3	50.5	248	Haikou	1.6
Qinghai	717,481	5.7	2.6	3.1	46.3	8	Xining	2.2
Autonomous regions								
Guangxi	237,558	46.5	19.4	27.0	41.8	196	Nanning	7.1
Inner Mongolia	1,145,121	24.8	14.1	10.8	56.6	22	Hohhot	2.3
Xinjiang	1,664,897	22.1	9.6	12.5	43.5	13	Urumqi	2.4
Ningxia	51,954	6.4	3.2	3.2	49.8	123	Yinchuan	1.6
Tibet	1,202,072	3.0	0.7	2.3	22.8	3	Lhasa	..
Municipalities								
Chongqing	82,269	29.2	16.1	13.1	55.0	355		
Shanghai	8,239	23.5	21.0	2.5	89.3	2,849		
Beijing	16,411	20.2	17.4	2.8	86.2	1,230		
Tianjin	11,917	13.6	10.9	2.6	80.5	1,137		

Source: National Bureau of Statistics of China, *China Statistical Database* and *China Statistical Yearbook 2011* (Online), available at: www.stats.gov.cn/tjsj/ndsj/2011/indexh.htm (tables 11-3, 12-34) and <http://219.235.129.58/reportYearQuery.do?id=0200&r=0.10743095235978128>

Guangdong is the largest province in terms of population with 105 million people, followed by Shandong and Henan, with respectively 96 million and 94 million. 20 provinces have populations of at least 25 million people. The largest municipality in China is Chongqing with 29 million inhabitants, followed by Shanghai with 23 million and the capital Beijing with 20 million. The Municipalities of Shanghai, Beijing and Tianjin are most urbanised, with over 80% of population in cities and towns. Shanghai also has the largest population density with 2,850 inhabitants per km², while Qinghai Province in the West of China has just eight and the autonomous region of Tibet only three.

China also has a number of Special Economic Zones (SEZs), which have flexible economic policies and offer attractive incentives for overseas investors. These include the five coastal areas of Shenzhen, Zhuhai, Shantou, Xiamen and Hainan Province.

In addition to the 22 provinces listed in table 1.2 above, Taiwan, is also considered a province by the mainland government. The Special Administrative Regions (SARs), which were reintegrated into China after a period of foreign rule, are Hong Kong (relinquished by the United Kingdom in 1997) and Macao (retrieved from Portugal in 1999). For statistical purposes, these territories are generally considered separate entities.

Economic Overview of China

2.1 National Economy

2.1.1 Gross Domestic Product (GDP)

As a potential market, China dwarfs most other emerging or developing countries, and its economy is growing at an arguably unprecedented pace in world history. While remaining one of the world's comparatively poor countries on a per capita basis, China surpassed Japan in 2010 to become the world's second largest economy after the United States of America. In 2011, China's gross domestic product (GDP) was US\$ 7.3 trillion, showing a year-on-year increase of 9.2%, according to the International Monetary Fund (IMF), based on official statistics. Yet, with China's geographical vastness and diversity, one should be cautious to treat it as a single market.

In late 1978, the Chinese leadership under Deng Xiaoping began moving the economy from centrally planned to a more market-oriented system. He set a goal of quadrupling China's economic output by the turn of the 21st century, which implied an annual real GDP growth of 7.2%. In fact, since 1978 the Chinese economy has grown at an average of 10% a year, led by extraordinary increases in investment, doubling per capita income every ten years. Such growth surpasses the experience of any other country in modern history.^{1, 2}

Current IMF forecasts, included in its October 2012 World Economic Outlook, suggest that China's GDP growth will reach 7.8% in 2012, and over 8% a year on average in the period 2011-2017. By 2017 GDP is expected to have grown to over US\$ 13 trillion.³ Amid an uncertain economic environment and outlook in advanced economies, hopes are that China and other emerging markets will be the engines of global growth in the years ahead.

1 IMF (2012), *World Economic Outlook*, Washington, D.C.

2 World Bank (2011), *World Development Indicators Database* (Online), available at <http://worldbank.org> (10-07-2011).

3 IMF (2012), *World Economic Outlook and World Economic Outlook Database*, October 2012, Washington, D.C. (Online), available at www.imf.org/external/pubs/ft/weo/2012/02/index.htm.

Table 2.1 Overview of Gross Domestic Product (GDP) across world's 15 largest economies (with GDP over US\$ 1 trillion in 2011)

	Population (million)			Gross domestic product, current prices (GDP) (US\$ billion)						GDP per capita (US\$)					
	1995	2011	2017*	1995	2000	2005	2010	2011	2017*	1995	2000	2005	2010	2011	2017
World	5,726	6,974	7,436	29,799	32,306	45,616	63,180	69,899	92,722	5,200	5,280	7,010	9,160	10,020	12,470
of which:															
Advanced economies	927	1,026	1,055	24,352	25,757	34,733	41,475	44,461	52,595	26,270	26,930	35,150	40,660	43,340	49,840
Emerging economies	4,799	5,948	6,381	5,447	6,549	10,882	21,704	25,438	40,128	1,140	1,270	1,970	3,690	4,280	6,290
15 largest economies															
China	1,211	1,347	1,387	728	1,198	2,257	5,930	7,298	13,212	600	950	1,730	4,420	5,420	9,530
Japan	125	128	126	5,334	4,731	4,572	5,489	5,867	6,611	42,520	37,300	35,780	42,860	45,870	52,500
India	933	1,207	1,306	365	476	809	1,630	1,827	3,171	390	470	730	1,370	1,510	2,430
Australia	18	22	24	379	400	732	1,244	1,487	1,787	20,840	20,730	35,640	56,100	66,370	74,060
Republic of Korea	45	50	51	531	533	845	1,015	1,116	1,629	11,780	11,350	17,550	20,540	22,420	31,820
United States	266	312	330	7,415	9,951	12,623	14,499	15,076	19,745	27,830	35,250	42,630	46,810	48,330	59,920
Brazil	159	195	204	770	644	882	2,143	2,493	3,254	4,840	3,760	4,790	11,090	12,790	15,920
Canada	29	34	37	591	725	1,134	1,577	1,739	2,117	20,180	23,650	35,200	46,280	50,500	57,300
Mexico	91	114	121	335	672	849	1,035	1,154	1,490	3,680	6,860	8,160	9,220	10,150	12,340
European Union (27)	477	501	508	9,205	8,503	13,791	16,301	17,611	18,769	19,280	17,660	28,150	32,640	35,190	36,970
Germany	82	82	81	2,525	1,892	2,771	3,312	3,607	3,726	30,920	23,020	33,600	40,510	44,110	46,020
France	58	63	65	1,573	1,330	2,140	2,571	2,778	2,896	27,240	22,600	35,110	40,940	44,010	44,630
United Kingdom	58	63	65	1,171	1,479	2,299	2,267	2,431	3,098	20,180	25,110	38,160	36,440	38,810	47,520
Italy	57	61	62	1,132	1,107	1,789	2,061	2,199	2,124	19,920	19,450	30,610	34,150	36,270	34,260
Spain	39	46	47	597	582	1,133	1,392	1,480	1,438	15,160	14,460	26,100	30,210	32,080	30,420
Russian Federation	148	142	139	313	260	764	1,487	1,850	2,977	2,110	1,780	5,350	10,410	12,990	21,350

Source: Compiled by UNWTO from United Nations, Department of Economic and Social Affairs, Population Division and International Monetary Fund, *World Economic Outlook*, October 2012.

Table 2.2 Overview of economic growth projections (GDP) by the International Monetary Fund (IMF) across world's 15 largest economies (with GDP over US\$ 1 trillion in 2011)

	Change over previous year					Current projections						Trend ¹			Average	
	2007	2008	2009	2010	2011	2012*	2013*	2014*	2015*	2016*	2017*	11-10	12*-11	13*-12*	1995-2011	2011-2017*
World (PPP² weighted)	5.4	2.8	-0.6	5.1	3.8	3.3	3.6	4.1	4.4	4.5	4.6	--	-	+	3.7	4.1
Memorandum:																
- at market exchange rates	4.0	1.5	-2.2	4.1	2.8	2.6	2.9	3.5	3.8	3.9	3.9	--	-	+	2.8	3.4
of which:																
Advanced economies	2.8	0.1	-3.5	3.0	1.6	1.3	1.5	2.3	2.6	2.6	2.6	--	-	+	2.2	2.2
Emerging economies	8.7	6.1	2.7	7.4	6.2	5.3	5.6	5.9	6.1	6.1	6.2	--	-	+	5.7	5.9
15 largest economies																
China	14.2	9.6	9.2	10.4	9.2	7.8	8.2	8.5	8.5	8.5	8.5	--	--	+	9.8	8.4
Japan	2.2	-1.0	-5.5	4.5	-0.8	2.2	1.2	1.1	1.2	1.1	1.1	--	++	-	0.7	1.3
India	10.0	6.9	5.9	10.1	6.8	4.9	6.0	6.4	6.7	6.9	6.9	--	--	++	7.0	6.3
Australia	4.7	2.5	1.4	2.5	2.1	3.3	3.0	3.2	3.3	3.2	3.2	-	++	-	3.3	3.2
Republic of Korea	5.1	2.3	0.3	6.3	3.6	2.7	3.6	4.0	4.0	4.0	4.0	--	-	+	4.4	3.7
United States	1.9	-0.3	-3.1	2.4	1.8	2.2	2.1	2.9	3.4	3.4	3.3	-	+	=	2.4	2.9
Brazil	6.1	5.2	-0.3	7.5	2.7	1.5	4.0	4.2	4.2	4.1	4.1	--	--	++	3.1	3.7
Canada	2.2	0.7	-2.8	3.2	2.4	1.9	2.0	2.4	2.4	2.4	2.3	-	-	=	2.6	2.2
Mexico	3.2	1.2	-6.0	5.6	3.9	3.8	3.5	3.5	3.3	3.3	3.3	--	=	-	3.0	3.4
European Union (27)	3.4	0.6	-4.2	2.1	1.6	-0.2	0.5	1.5	1.9	2.0	2.1	-	--	+	2.0	1.3
Germany	3.4	0.8	-5.1	4.0	3.1	0.9	0.9	1.4	1.4	1.3	1.3	-	--	=	1.4	1.2
France	2.3	-0.1	-3.1	1.7	1.7	0.1	0.4	1.1	1.5	1.7	1.9	=	--	+	1.6	1.1
United Kingdom	3.6	-1.0	-4.0	1.8	0.8	-0.4	1.1	2.2	2.6	2.6	2.7	--	--	++	2.3	1.8
Italy	1.7	-1.2	-5.5	1.8	0.4	-2.3	-0.7	0.5	1.2	1.4	1.4	--	--	++	0.9	0.2
Spain	3.5	0.9	-3.7	-0.3	0.4	-1.5	-1.3	1.0	1.6	1.7	1.7	+	--	+	2.6	0.5
Russian Federation	8.5	5.2	-7.8	4.3	4.3	3.7	3.8	3.9	3.9	3.8	3.8	=	-	=	3.8	3.8

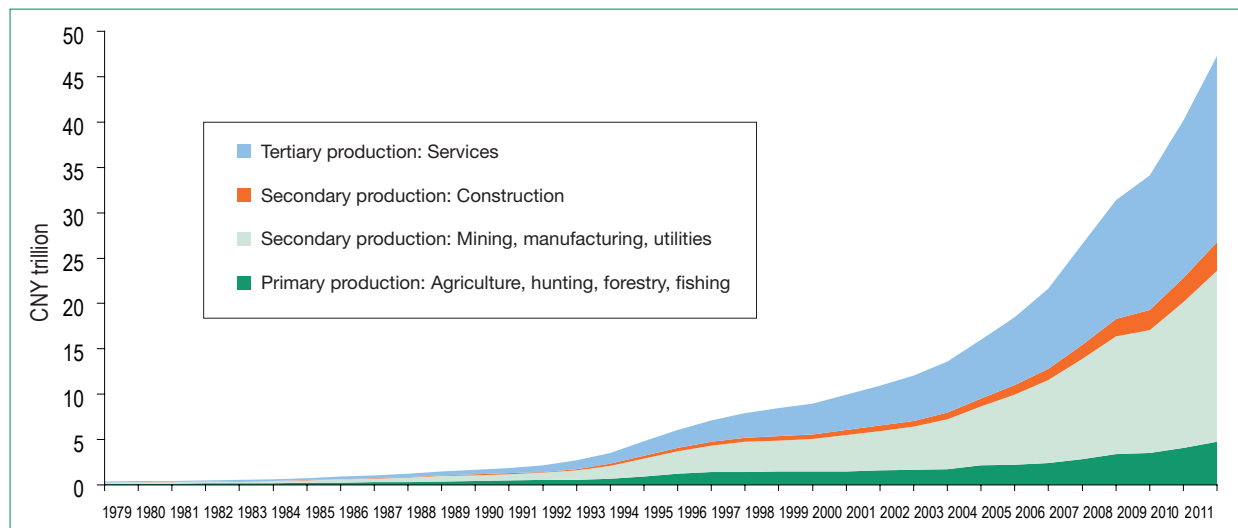
¹ Change (%) to previous year: -- < -1
- [-1,-0.2]
= [-0.2,0.2]
+ [0.2,1]
++ >1

² Purchasing power parity

Source: Compiled by UNWTO from International Monetary Fund, *World Economic Outlook*, October 2012.

2.1.2 Performance of Key Sectors

Figure 2.1 Chinese Gross Domestic Product by sectors



Source: Compiled by UNWTO based on National Bureau of Statistics of China (www.stats.gov.cn).

With the rapid development of the Chinese economy in the recent decades, the weight of the primary, secondary and tertiary sectors in the economy has also changed. Namely, the share of “services” (the tertiary sector) has increased, while that of “agriculture” (primary) has decreased, and “manufacturing” and construction” (secondary) has remained constant. In 1995, “agriculture” accounted for 20% of China’s GDP, while “manufacturing” accounted for 47%, and “services” 33%. In 2011, “agriculture” represented 10% of the country’s output, while “services” has increased to 43% (“manufacturing” has remained at 47%). This reflects a process of economic development and urbanization common to most advanced economies, whereby “services” grows above the GDP rate and becomes the largest sector in the country’s economy, while “agriculture” grows below the average and becomes the smallest.

While the Chinese economy grew at a rate of 9% to 10% a year in the period 2008–2011, agricultural output rose by 4% to 5% a year.⁴ Meanwhile, industrial production grew between 10% and 12% a year in the same four-year period. China’s industrial output has been extraordinary in products such as steel and aluminium, motor vehicles and electronic equipment. However, the government is also interested in promoting agriculture, and in 2008 it introduced direct subsidies to farmers and removed taxes to encourage agricultural production and development. The effect has been a rapid increase in rural incomes.

The government is also interested in restraining over-investment in certain sectors, such as wind power, polysilicon, steel, cement, plate glass, coal and chemicals,⁵ while it wishes to boost investment in others like new energy sources, new materials, bio-pharmaceuticals, vehicles and IT.⁶

Since the global financial crisis of 2008, the auto industries of the United States of America and other major industrialized nations have been under pressure. Meanwhile, China’s market position has become increasingly prominent, reaching a 22% share of the global auto market in 2009. Production reached 13.8 million cars in 2009, making China the world’s biggest car producer, as well as the largest automotive market.⁷

4 National Bureau of Statistics of China, *China Statistical Database* (Online), available at <http://219.235.129.58/reportYearBrowse.do>.

5 SXZYJLR (2011), *China Wants to Control over Capacity* (Online), available: www.sxzyjlr.com/news/show.php?itemid=54885 (27-07-2011).

6 HC360 (2011), *New Strategic and Growing Industries* (Online), available: <http://info.ec.hc360.com/2011/08/041338475228.shtml> (27-07-2011).

7 Chinatextnet (2011), *White Paper on the Global Automotive Industry* (Online), available: http://auto.sohu.com/20100422/n271680013_2.shtml (23-07-2011).

Simultaneously with these developments, state-owned enterprises (SOEs) are being reduced and reorganised. The Second National Economic Census shows that by the end of 2008, the total number of state-owned enterprises in secondary and tertiary sectors was 143,000, a reduction by 36,000 from 2004 when the previous economic census was carried out. Meanwhile, the number of private enterprises has reached 3.6 million, an increase of 81% compared with 2004 numbers.⁸

2.1.3 International Trade

China's long quest to join the World Trade Organization (WTO), supported by the United States of America and the European Union (EU), came to fruition in December 2001. Membership has had huge implications in many sectors, including travel and tourism.

Following the WTO accession, both exports and imports grew rapidly – by about 25% annually – until the global financial downturn in 2008 and 2009. They now make up more than 70% of GDP, compared with 30% in the United States of America. The value of Chinese merchandise exports rose by 31% in 2010, up to US\$ 1,578 billion. In 2011, China surpassed the United States of America as the world's top manufacturer. The latter is China's single largest market, accounting for 18% of total exports, followed by Hong Kong (China) and Japan. China's principal exports include electrical goods and other machinery, textiles, garments and footwear.⁹

In recent years, imports have grown faster than exports, partly as a result of rising commodity prices. Merchandise imports gathered speed after a slump during the global downturn in 2008-2009, growing by 39% in 2010, reaching US\$ 1,395 billion. Imports come principally from Japan – accounting for 13% of total imports – but also the Republic of Korea, Taiwan (province of China) and the United States of America. China has been investing heavily abroad to secure energy and raw materials supplies, notably in Africa, Latin America and Central Asia.

In 2010, the surplus of merchandise trade fell 6.4% to US\$ 183 billion – the second consecutive year it has narrowed. Further falling looms as imports of services and the profit remittances of foreign companies increase. The growth in domestic demand, policies to expand imports, and soaring commodity prices are factors expected to narrow the surplus. The country's foreign currency reserves are the biggest in the world – three times as big as Japan's, which are the second largest – over US\$ 3,000 billion (US\$ 3.0 trillion).

2.1.4 Inflation

As in most fast growing economies, inflation in China has been substantial in recent years. According to the IMF *World Economic Outlook* of October 2012, inflation reached 4.8% in 2007 and 5.9% in 2008 and fell back to -0.7 in 2009. It continued to grow in 2010 and 2011 by 3.3% and 5.4% respectively, because of rising fuel, housing and food prices. Reigning in inflation is regarded as an important priority by the current Chinese leadership.

China's extraordinarily rapid growth is having a well-publicised effect on international commodity and oil prices. The Crude Oil Price Index had increased 45% in the year to September 2011, while the metals' price index was up 35%.

Labour costs have also risen, especially in coastal manufacturing hubs. In early 2010, labour shortage was noted in several coastal cities, and a number of high-profile strikes were reported. The rising wages have not fully compensated for the productivity gains, calling into question the low-cost manufacturing model in these areas.

8 21CN (2009), *Analysis of Census* (Online), available: <http://finance.sina.com.cn/china/hgjj/20091225/21037157246.shtml> (10-07-2012).

9 Government Custom Office (2011), *General Administration of Customs of the People's Republic China* (Online), available: www.customs.gov.cn (10-07-2011).

After a massive stimulus package and easy credit in 2009, China has again asked its banks to tighten its purse strings. The Central Bank raised the percentage of deposits that banks must hold in reserve for the sixth time in 2011 in a move to curb inflation. Stricter rules on home buying have also been introduced amid worries of a possible property bubble.

2.1.5 Fiscal Policy

During the annual Central Economic Work Conference in December 2010, officials decided that China should maintain a 'proactive' fiscal policy, building roads, subways, and other infrastructure, while switching its monetary policy stance from relatively loose to prudent.¹⁰

China's budget deficit hit about CNY 650 billion (US\$ 99 billion), or 1.6% of GDP, in 2010. The figure was lower than the deficit of CNY 950 billion, or 2.8% of GDP, recorded in 2009. Nationwide, fiscal revenues rose by 21.3% to CNY 8.31 trillion in 2010, while expenditure increased 17.4% to CNY 8.96 trillion.¹¹

China's tax revenues rose by 22.6% year-on-year to CNY 7.74 trillion (US\$ 1.17 trillion) in 2010.¹² The country's debt to GDP ratio was modest at around 22% in 2010, compared to the United States of America at 94%. China's foreign exchange reserves are by far the world's largest. These figures indicate sustained stability for the Chinese market.

Despite caution from the central government, many local governments are going full steam ahead, transforming their cities through construction booms. This has resulted in worries about the balance sheets of local governments, and a few apparent examples of over-investment in the form of uninhabited 'ghost towns'. Moody's, the credit ratings institute, estimated local governments' debt to CNY 10.7 trillion, or 25% of GDP, in mid-2011.

2.1.6 Exchange Rates

China's local currency, the Yuan (renminbi; CNY)¹³, was effectively pegged to the US\$ at CNY 8.28 : US\$ 1 for eleven years (US\$ 0.12 : CNY 1). In July 2005, after intense international pressure, the government announced that it was shifting to a 'managed floating exchange rate regime' based on a basket of currencies with daily revisions to the central parities. Daily variations would be permitted of up to 0.3% against the US\$ and 1.5% (later revised to 3%) against other currencies.

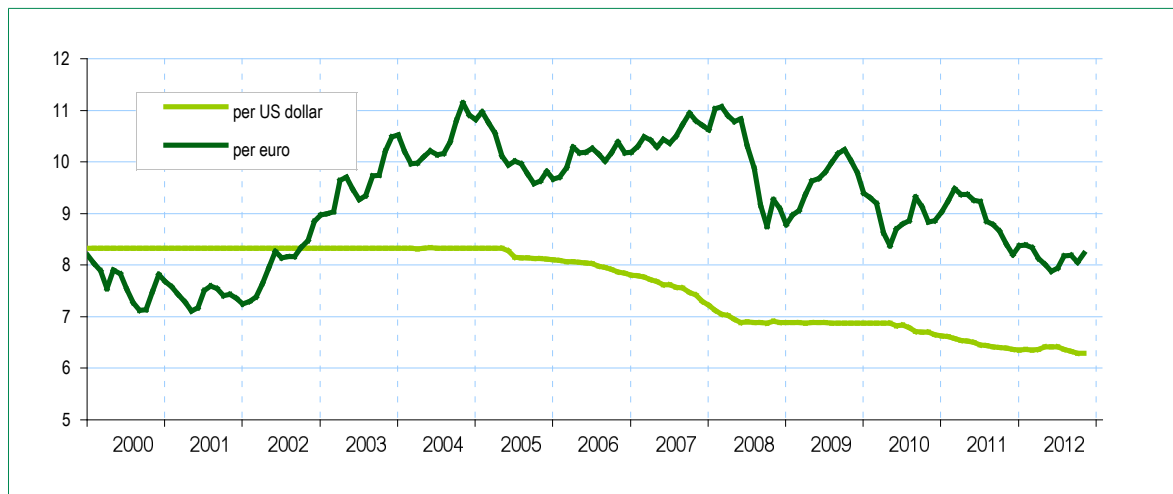
Since 2005, the CNY has gradually appreciated to the US\$. Its value to the US\$ increased by some 20% between 2005 and 2008. In the following years, the CNY real effective exchange rate continued to show an overall rising trend but at a more moderate pace, reaching CNY 6.23 to the US\$ end of December 2012 (US\$ 0.16 : 1 CNY).

10 Chinatextnet (2011), *China Fiscal Policy to stay proactive* (Online), available: <http://in.reuters.com/article/2011/01/16/idINIndia-54192420110116> (10-07-2012).

11 21CN (2011), *China 2010 Fiscal Deficit Dips to 16 per cent of GDP* (Online), available: www.bestgrowthstock.com/stock-market-news/2011/01/20/china-2010-fiscal-deficit-dips-to-1-6-percent-of-gdp (24-07-2011).

12 21CN (2011), *China's 2010 Tax Revenue Tops 1 trillion USD* (Online), available: <http://english.peopledaily.com.cn/90001/90778/7254969.html> (24-07-2011).

13 China's currency is known as 'renminbi' (official name meaning 'legal tender' and abbreviated as RMB) or also 'yuan' (unit of currency and abbreviated as CNY) Both are used in official documents, though 'yuan' is preferred in spoken language. In this document we have used yuan (CNY).

Figure 2.2 Exchange rate CNY to US\$ and €

Source: De Nederlandse Bank.

The appreciation of the CNY is having a positive impact on outbound tourism, as it gradually lowers the cost of travelling abroad.¹⁴ However, appreciation against the US dollar does not necessarily mean appreciation against the euro or other relevant currencies. As the euro considerably appreciated against the US dollar between 2001 and 2004, indeed the CNY depreciated against the euro in this period. Since then the longer-term trend has also been one of a gradual appreciation, with the CNY reaching a rate of just over 8 to the euro at the end of 2012.

2.2 Spending Power

2.2.1 Income Levels

Household income as a percentage of GDP is low in China. It has been shrinking throughout the reform period, from 56% in 1983 to 37% in 2005, after which it has remained fairly flat.

GDP per capita in nominal US dollar terms was estimated at US\$ 5,420 in 2011, up from 4,420 in 2010 and 1,730 in 2005 (cf. table 2.1 above). Much of this increase is still going into investment, but the Chinese government is trying to shift the focus of growth towards consumption.

The official estimate of the economically active population was 783 million in 2010. Of these, about 159 million people were employed in township and village enterprises (TVEs), 153 million had migrated 'illegally' to the cities in search of work, and the total urban workforce was 500 million. The official recorded unemployment rate in urban areas was 4.1% in 2010, but real unemployment is higher. A new phenomenon is the so called 'ant tribe', a million or so young, well-educated urban Chinese who have difficulties finding a job. Nevertheless, the combination of a large urban workforce and rapidly growing income promises great potential for travel and tourism spending in China's urban centres.

Income levels have grown rapidly in the past decade. Official statistics show a per capita annual income of urban residents of CNY 24,000 in 2011, and a disposable income of CNY 21,810 (both +14% year-on-year in current terms). Rural income, meanwhile, averaged only CNY 6,980, but grew at a faster rate of 18% from the previous year.

¹⁴ China Tourism Academy (2011), *Annual Report of China Outbound Tourism Development*, p. 11.

2.2.2 Income Distribution

Of course these averages hide big variations, so in order to assess them properly the income distribution should be considered. According to data of the National Bureau of Statistics of China (see table 2.3), close to 120 million people (46 million households), representing the richest quintile of urban households, had per capita disposable incomes averaging over CNY 40,000 annually in 2010 (US\$ 6,000 or € 4,500). The next richest income quintile (upper middle), representing another 125 million people, had an average disposable income of CNY 23,000 per capita.

Table 2.3 Basic conditions of urban households by income percentile, 2010

		Households	Population	Average household size (persons)	Annual income	Disposable income	Expenditure	Consumption expenditure
		(million)			CNY			
National		232	666	2.88	21,033	19,109	18,258	13,471
Income group								
High	(5th quintile)	46	119	2.57	45,124	41,035	38,024	26,274
Highest	(10th decile)	23	58	2.51	56,435	51,432	47,401	31,762
High	(9th decile)	23	60	2.61	34,255	31,044	29,012	21,000
Upper Middle	(4th quintile)	46	125	2.70	25,498	23,189	21,667	16,140
Middle	(3rd quintile)	46	131	2.82	18,921	17,224	16,693	12,609
Lower middle	(2nd quintile)	46	140	3.02	13,971	12,702	12,388	9,649
Low	(1st quintile)	46	151	3.25	8,451	7,594	8,063	6,403

Source: Compiled by UNWTO from National Bureau of Statistics of China, China Statistical Yearbook 2011, table 3-7.

Despite the faster growth of income in rural areas, consumption increases more rapidly in urban areas highlighting China's growing spending power. This is because, traditionally, the disparity between urban and rural areas has been larger than indicated by the income figures, as people in rural areas have had to pay for agricultural inputs and local fees and taxes, while those in urban areas receive greater benefits, including housing, education, health and electricity. In recent years, however, a series of policies benefiting the rural population have been introduced. Subsidies have been raised and local governments have been instructed to reduce agricultural taxes. In 2006 the government rolled out a programme to phase out education fees in rural areas, later followed by a programme to reduce the burden of healthcare.

2.3 Regional Economy

There are significant regional variations in economic conditions and performance in China, with large per capita income disparities between the more prosperous eastern and southern coastal provinces and the poorer inland and western provinces. However, efforts are made to realign overall economic development and achieve a more equal wealth distribution throughout the country, using regional development strategies and key infrastructure projects. While the westernmost provinces are still far behind, policy incentives along with infrastructure development and rising labour costs in coastal regions are pushing industries and economic development inland. An effect of this is that in 2010, most of the growth in luxury consumption took place in central China, rather than in the coastal provinces.

Three major agglomerations form the backbone of the Chinese economy. They are the city groups of the Pearl River Delta around the main city of Guangzhou, those around the Changjiang (Yangtze) River Delta including the different urban areas around Shanghai, and the Beijing-Tianjin-Hebei area around the Bohai Sea. They are also the three major tourism-generating areas of China.

Figure 2.3 The three major economic regions in China

Disclaimer: The maps elaborated by UNWTO are for reference only and do not imply any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

Source: UNWTO, compiled from National Bureau of Statistics of China.

In the sequence of per capita GDP table (cf. table 2.4), the population of the first ten provinces and municipalities combined is 37% of the nation's total, while their combined GDP is 54% of the total of the country. The per capita GDP of the ten provinces and municipalities is over US\$ 3,500 (€ 2,500). These ten provinces and municipalities are the Beijing-Tianjin area and the northern Liaoning and Inner Mongolia Provinces, East China with Shanghai as the centre (Shanghai, Zhejiang, Jiangsu and Shandong Provinces), and South China (Guangdong and Fujian Provinces). The tourism industry is better developed in these areas, with their inhabitants travelling more as a result of the relatively prosperous regional economies.

Apart from the aforementioned wealth gaps between provinces, there are three major variations in the degree of economic development and incomes in China: differences (1) between town and country, (2) between different economic units, and (3) within cities and rural areas.

Table 2.4 Chinese provinces, autonomous regions and municipalities by income and expenditure, 2011

	Population		Gross Regional Product		Urban households				Rural households	
	urban	rural	(CNY billion)	per capita (CNY)	Disposable income	Consumption expenditure	of which recreation		Net income	Consumption expenditure
	(million)				per capita (CNY)	(CNY)	(CNY)	(%)	per capita (CNY)	(CNY)
National Total	691	657	47,288	35,118	21,810	15,161	652	4.3	6,977	5,221
Tianjin	10.9	2.6	1,131	83,449	26,921	18,424	684	3.7	12,321	6,725
Shanghai	21.0	2.5	1,920	81,788	36,230	25,102	1,407	5.6	16,054	11,049
Beijing	17.4	2.8	1,625	80,495	32,903	21,984	1,261	5.7	14,736	11,078
Jiangsu	48.9	30.1	4,911	62,173	26,341	16,782	1,034	6.2	10,805	8,095
Zhejiang	34.0	20.6	3,232	59,160	30,971	20,437	933	4.6	13,071	9,965
Inner Mongolia	14.1	10.8	1,436	57,856	20,408	15,878	561	3.5	6,642	5,508
Liaoning	28.1	15.8	2,223	50,711	20,467	14,790	461	3.1	8,297	5,406
Guangdong	69.9	35.2	5,321	50,652	26,897	20,252	1,154	5.7	9,372	6,726
Fujian	21.6	15.6	1,756	47,205	24,907	15,994	733	4.6	8,779	6,541
Shandong	49.1	47.3	4,536	47,071	22,792	14,561	424	2.9	8,342	5,901
Jilin	14.7	12.8	1,057	38,446	17,797	13,011	371	2.9	7,510	5,306
Chongqing	16.1	13.1	1,001	34,297	20,250	14,974	639	4.3	6,480	4,502
Hubei	29.8	27.7	1,963	34,096	18,374	13,164	526	4.0	6,898	5,011
Hebei	33.0	39.4	2,452	33,857	18,292	11,609	367	3.2	7,120	4,711
Shaanxi	17.7	19.7	1,251	33,429	18,245	13,783	544	4.0	5,028	4,492
Ningxia	3.2	3.2	210	32,898	17,579	12,896	452	3.5	5,410	4,727
Heilongjiang	21.7	16.7	1,258	32,817	15,696	12,054	305	2.5	7,591	5,334
Shanxi	17.9	18.1	1,124	31,276	18,124	11,354	374	3.3	5,601	4,587
Xinjiang	9.6	12.5	661	29,923	15,514	11,839	281	2.4	5,442	4,398
Hunan	29.8	36.2	1,967	29,820	18,844	13,403	580	4.3	6,567	5,179
Qinghai	2.6	3.1	167	29,409	15,603	10,955	353	3.2	4,609	4,537
Hainan	4.4	4.3	252	28,765	18,369	12,643	333	2.6	6,446	4,166
Henan	38.1	55.8	2,693	28,687	18,195	12,336	452	3.7	6,604	4,320
Sichuan	33.7	46.8	2,103	26,120	17,899	13,696	517	3.8	6,129	4,676
Jiangxi	20.5	24.4	1,170	26,076	17,495	11,747	501	4.3	6,892	4,660
Anhui	26.7	32.9	1,530	25,638	18,606	13,181	480	3.6	6,232	4,957
Guangxi	19.4	27.0	1,172	25,233	18,854	12,848	481	3.7	5,231	4,211
Tibet	0.7	2.3	61	19,994	16,196	9,121	174	1.9	4,904	2,742
Gansu	9.5	16.1	502	19,580	14,989	11,189	371	3.3	3,909	3,665
Yunnan	17.0	29.3	889	19,203	18,576	12,248	609	5.0	4,722	4,000
Guizhou	12.1	22.6	570	16,437	16,495	11,353	521	4.6	4,145	3,456

Note: Exchange rates 2011: US\$ 1 = CNY 6.46
 CNY 1 = US\$ 0.1547
 € 1 = CNY 9.00
 CNY 1 = € 0.1112

Source: UNWTO, compiled from National Bureau of Statistics of China.

The Regulatory Environment of Tourism

3.1 Government's Role in Travel and Tourism

The China National Tourism Administration (CNTA) is the government body responsible for the tourism industry, and it plays a central role in regulating and overseeing China's travel and tourism. CNTA is directly regulated by the State Council and is responsible for developing, promoting and regulating China's inbound, domestic and outbound tourism industries. The Public Security Bureau (PSB) is in charge of monitoring and issuing passports to mainland Chinese nationals.

Although regulations are complex and difficult to deal with, it is fair to say that – as discussed in further detail in chapter 6 – rules regarding outbound travel, travel agency licensing and foreign tour operations, etc. are being steadily relaxed, in line with the requirements of China's membership of the World Trade Organization (WTO). In May 2011, for example, CNTA officially opened China's outbound travel market to foreign operators by announcing three joint ventures allowed to operate outbound travel. At the same time, CNTA is actively encouraging Chinese travel companies to run businesses in foreign destinations.

China's first-ever national tourism law, which will regulate all forms of tourism, is currently being formulated. Its first draft was formed at the end of 2010, and the establishment of the law was included in the work plan of the National People's Congress in 2011. The powerful Development and Reform Commission has signalled that China will speed up the implementation pace of tourism laws and regulations.

3.2 Passports

Despite the progressive easing of regulations, China is still one of the few countries in the world where outbound travel restrictions are still a major factor. Three types of passports are available to Chinese, based on the new Passport Law of the People's Republic of China (articles 3 through 9) that came into force in January 2007:

- Ordinary Passports, divided into Ordinary Passports for Private Affairs (issued for Chinese who travel abroad for personal affairs, such as leisure travel or visiting friends and family) and Ordinary Passports for Public Affairs (issued to staff in government offices at all levels and to employees of state-owned enterprises or institutions).
- Service Passports, issued mainly to senior officials and their family members.
- Diplomatic Passports, issued to diplomats and senior officials of the Communist Party, the government, the People's Liberation Army, and other holders of senior positions.

The Ministry of Foreign Affairs is responsible for issuance of Diplomatic Passports, Service Passports, and Ordinary Passports for Public Affairs. The Public Security Departments or Bureaus of the local governments are responsible for the issuance of Ordinary Passports for Private Affairs. Since the new law came into force in January 2007, Chinese passports are valid for 10 years.

Ordinary passports are available to "most citizens on production of an ID and a proof of residence", to quote CNTA. In early 2010, China had at least 18.3 million passport holders.

3.3 Approved Destination Status (ADS)

The first phase of China's outbound tourism started in 1983 with so-called 'family visits', first to Hong Kong (China) and Macao (China) and later to several South-East Asian countries, ostensibly paid for by the receiving side. This policy provided the opportunity for the development of outbound leisure tourism by offering a way of obtaining the necessary passports, foreign currency and visas. At the same time, China's increasing integration into the world economy resulted in a growing number of delegations from the Chinese leading internationally operating companies to attend fairs, business meetings, training programmes, technical visits, etc. Almost all these trips had some kind of 'tourism' element, and many were in fact simply leisure trips in disguise paid for by public or government money or, in some cases, arranged by foreign business partners.

The second phase started in 1997 with the official recognition of the existence of outbound leisure tourism (as opposed to family reunions and business trips) in the 'Provisional Regulation on the Management of Outbound Travel by Chinese Citizens at Their Own Expense'. This resulted in the development of the ADS scheme soon after, although group travel abroad was limited to neighbouring countries until 1999.

The ADS scheme is based on bilateral agreements, which permit Chinese to travel as part of a leisure tour group, and pay for the trip themselves, to travel to the specific destination with a special visa. Only ADS countries can openly be promoted as tourism destinations in China (cf. chapter 8). A total of 115 destination countries and regions have full operative ADS status (cf. annex I), although a number of other countries have signed Memorandums of Understanding.

ADS is granted to countries that fulfil certain conditions to enable them to receive leisure tour groups from China. Destinations that do not have ADS can still receive visitors from China – but not leisure tour groups, which has been the fastest-growing sector of the market in recent years.

Australia was the first western destination to obtain ADS, in 1997 (it came into effect two years later), followed by New Zealand, and Germany was the first major western European country, in 2002.

EU member countries finalised ADS negotiations en bloc in April 2004, welcoming their first Chinese leisure tour groups in September of the same year. New EU member countries, which did not already have ADS, were approved automatically on becoming EU members (cf. annex I).

ADS agreements are complex:

- They involve three government departments in China – the Ministries of Foreign Affairs and of Public Security, and CNTA, which is the national tourism administration, equivalent to a tourism ministry and NTO rolled into one. In the receiving country, the corresponding departments or agencies are involved – Immigration, Foreign Affairs and the NTO. (This system excludes privatised NTOs and trade bodies such as the Travel Industry Association of America.)
- As already indicated, ADS covers only Chinese travelling as part of a leisure tour group out of China – with the added stipulation for most countries of a minimum five participants in each group. Business travel, government/official travel – 'public' travel – and some other types of travel, such as students going abroad for education, sports travel, or incentives, are not included.
- The ADS system was initially a means of managing the number of Chinese travellers going abroad (for economic reasons) and of reducing the risk of travellers not returning to China and seeking immigration in the host country – legally or illegally. The economic concern has reduced as China has grown richer, but illegal emigration continues to be a critical factor.
- ADS specifies the number and names of travel agencies in China that can send leisure tour groups to other countries, and the number and names of inbound agencies in the receiving destinations. (An up-to-date list can be found at www.cnta.com/html/special/2009-02/cjyzt/index.html.) There may be other requirements, such as limiting destinations to receive travellers only from specific areas such as Beijing, Shanghai and/or Guangdong province.

The current thinking is that ADS will be phased out in the future. Meanwhile, requirements are expected to become looser and implementation less strict as the Chinese government improves checks and controls on travellers applying for tourism passports and increasingly cooperates with foreign governments to limit the number of travellers who overstay their visas. Leisure group travellers are also usually expected to deposit a sum of money with their travel agent to help ensure that they do come back to the country. This averages CNY 30,000-50,000 (€ 3,000-5,000) – and is invariably on the higher end for European destinations. But illegal emigration appears to be mainly prevalent among travellers from just a few regions of China, not the main tourism generating centres.

3.4 Visas

3.4.1 General Regulations and Visa Fees

Although visa applications for Chinese leisure group travellers are the responsibility of their travel agents, the process of applying for and obtaining a visa can be arduous and lengthy, not to mention expensive. Some believe that it is a deterrent to tourism demand especially for non-Schengen countries.

In theory, if not always in practice, Chinese citizens can travel with one visa across 26 Schengen countries (cf. annex II), for up to 90 days for leisure or business purposes. New EU member states are bound to implement the Schengen rules as part of the pre-existing body of EU law, which every new entrant is required to accept.

The EU visa code, which applies to the 26 Schengen countries from december 2011, has introduced a harmonized application form to enhance transparency, to develop legal security and to provide equal treatment of applicants.¹ The average cost of a Schengen visa increased from € 35 to € 60 in 2007, but the cost for children aged between 6 and 12 was reduced from € 60 to € 35 in 2010.²

The current cost for a standard tourist visa to the United Kingdom, not a Schengen country, is CNY 800. Visa fees for students have risen sharply in the country, and the total cost often runs into several hundred euros.

3.4.2 Absconding Tourists

There are a number of weaknesses with the Schengen visa system. Visas cannot be issued for stays of more than 90 days and they cannot be extended. In addition, while applications for Schengen visas to some Schengen member governments take only a few days, for others the processing time can be more than three weeks.

Since the ADS system in Europe is relatively new and there have been incidences of Chinese tourists absconding while on holiday in the region, European governments are understandably more strict than usual in issuing visas. In fact, a number of European governments suspended visa issuance for Chinese tourists for different periods in 2005 and 2006 because of abuse of the system. But the problems to date are widely seen as teething problems and are expected to ease in due course.

The situation facing national tourism organisations (NTOs) is summed up neatly by VisitBritain, which admits that it suffers from an ambivalent position in China. On the one hand, the granting of visas is a sensitive political issue for the Home Office, which is very anxious to be seen to have illegal immigration under control; on the other, there is a strong commercial drive to extend tourism revenue from the Department of Culture, Media and Sport.

¹ China Outbound Tourism Research Institute (2011), *Annual Report of China Outbound Tourism Development*, p. 16.

² Ibid.

For group tours from China based on ADS visas, the travel agent takes care of the group application, as already indicated, so the process is more streamlined than in some countries. The travel agent is responsible for carrying out the first checks and recommending each traveller for a visa.

Travellers to most parts of Europe pay the Chinese travel agent a deposit of CNY 50,000 (around € 6,000), which is only reimbursed at the end of the trip, i.e. when the traveller returns to China. Travel agents in China have been known to keep quiet about a traveller who has absconded on a trip and have pocketed the deposit, but the punishment is severe, so the practice is not widespread.

The length of the suspension for travel agents held responsible for misdemeanours seems to vary according to the misdemeanour. It is not just a matter of losing clients altogether, but also, for instance, failing to sift out a suspicious application in the first place, or changing the tour itinerary or a hotel without informing the authorities in advance – something that is often unavoidable for ground handlers in Europe.

3.5 Exchange Controls

Foreign exchange controls are also being progressively relaxed by the State Administration of Foreign Exchange. Chinese citizens are now allowed to exchange up to US\$ 50,000 in foreign currency per person per year. In addition, outbound travellers can buy foreign currency themselves, rather than having to go through a travel agency. More information about CNY-US\$/euro exchange rates and its impact of outbound tourism can be found in section 2.1.6.

3.6 Holiday Entitlement

As China has long been predominantly an agrarian society involved in subsistence farming, paid holidays are not standard throughout the country. But for those not involved in agriculture, the amount of paid leave has been growing. In 1992, a week-long holiday was introduced for government employees and those working in larger companies. In 1994 the average week for these workers was reduced to 44 hours; in 1995 it was further reduced to 40 hours, establishing an effective five-day week. This has resulted in increased weekend trips – mainly to domestic destinations, but also to Hong Kong (China), Macao (China), the Republic of Korea and Thailand.

In 1999 the three so-called Golden Weeks were established:

- Spring Festival – Lunar/Chinese New Year – is on the first day of the first month of the lunar calendar. Officially, Spring Festival lasts for three days but many people take a week off work.
- May Week, which includes International Labour Day (1 May) and National Youth Day (4 May).
- The National Holiday, which includes 1 October, National Day that marks the anniversary of the founding of the People's Republic of China.

In 2008, amid criticism that the volume of domestic travel during the holidays threatened heritage sites and scenic spots, the Chinese government replaced the May Golden Week with three separate holidays on dates of other traditional festivals.

Table 3.1 China public holidays

Holiday	2012	2013	2014
New Year	1-3 January	30 December 2012 - 1 January	1-3 January
Spring Festival, Chinese New Year	22-28 February	9-15 February	30 January - 5 February
International Women's Day (half day)	8 March	8 March	8 March
Qing Ming or Tomb Sweeping	2-4 April	4-6 April	4-6 April
Labour Day/May Day	29 April - 1 May	29 April - 1 May	1-3 May
National Youth Day (half day for 14 year olds and above)	4 May	4 May	4 May
Dragon Boat Festival	22-24 June	10-12 June	31 May - 2 June
Army Day (half day for active army)	1 August	1 August	1 August
Mid-autumn festival	30 September	19-21 September	6-8 September
National Day	1-7 October	1-7 October	1-7 October

Source for 2012 and 2013: *China Highlights* (Online), available: <http://www.chinahighlights.com/festivals/china-public-holiday.htm>

Source for 2014: *China Travel Guide* (Online), available: <http://www.travelchinaguide.com/essential/public-holiday.htm>

Aviation Overview

4.1 Background

4.1.1 The World's Second Largest Civil Aviation Market in the Next Decade

No analysis of China's travel potential can ignore the contribution that aviation is making – and will increasingly make – to the market's growth. Chinese air travel grew from 138 million passengers in 2005 to 293 million by 2009, and there are strong reasons to believe that this growth trend will continue in the future. 180 airports are currently open to commercial aviation in the country, 16 of which have a passenger throughput of 10 million.¹ Another 51 airports are planned during the current Five-Year Plan (2011-2015) with the government's projected goal of 244 by 2020. Although only a small number of these airports handle international flights, and most such flights are to neighbouring countries of North-East and South-East Asia, demand for international traffic is growing faster than that for domestic traffic.

The forecasts for air transport to, from and within China over the next 20 years are staggering. Aircraft manufacturers Boeing and Airbus projections show domestic passenger volumes growing at an annual rate of 8.6% and 7.9%, respectively, until 2028. Boeing predicted in November 2010 that China would triple its fleet size, requiring 4,330 new commercial aircraft in the next 20 years.² Airbus' estimate is slightly more modest, setting the number of new passenger aircraft and freighters needed until 2026 to 2,800. Nevertheless, this represents 11.6% of the world total demand over the next 20 years.³ These figures suggest that China in the next decade will likely become the second-largest civil aviation market.

The Chinese Government's 2010 aviation strategy aims to turn China into a strong global competitor in the next 20 years, with three pillars for achieving this goal: internationalization, mass air travel, and safety.

The drivers of China's aviation expansion and mass air travel include robust economic growth, liberalisation of the market, and fast urbanisation with increased household travel expenditures. A predicted 650 million Chinese consumers by 2015, with a concurrent wave of Chinese outbound tourism, will only strengthen the nation's emergence as a significant player in the aviation industry. Short-distance air travel will likely be affected by competition from the rapidly expanding high-speed train network, but international air travel is unlikely to be significantly affected.

4.1.2 Reorganisation of Civil Aviation

The Civil Aviation Administration of China (CAAC) was formed at the time of the creation of the People's Republic of China in 1949 to oversee all aspects of civil aviation in China, including operation of the country's airline. CAAC was therefore China's supreme civil aviation body, with responsibilities unparalleled in the western world.

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- 1 Civil Aviation Administration of China (2011) (Online), available: http://www.caac.gov.cn/11/12/201105/t20110509_39615.html (28-05-2011).
 - 2 Air Transport World (2011), *China approves delivery of 200 Boeing aircraft during Hu's US state visit* (Online), available: <http://atwonline.com/international-aviation-regulation/news/china-approves-delivery-200-boeing-aircraft-during-hus-us-sta> (25-05-2011).
 - 3 Guanyi Aero (2011), *Mainland China's passenger aircraft fleet will triple in the coming 20 years* (Online), available: http://guanyiaero.com/web_reader.asp?nidn_rh393_34_54_dfd_46=10 (29-05-2011).

In 1984 a plan was announced to reorganise civil aviation; CAAC would cease to exist as an airline and, in its new role as the civil aviation body, would “set up a number of airline companies operating separately on international and domestic air routes”. The six new airlines (with the roles defined at the time) were:

- Air China – based in Beijing and operating mainly international and some domestic routes;
- China Eastern Airlines – based in Shanghai, operating mainly domestic routes, but also to Japan and Hong Kong (China);
- China Southern Airlines – based in Guangzhou, operating mainly domestic routes, but also to Hong Kong (China), and to some South-East Asian countries;
- China Southwest Airlines – based in Chengdu and operating mainly domestic routes and ‘some’ international routes (only Hong Kong (China), was named);
- China Northwest Airlines – based in Xian and operating domestic routes and to Hong Kong (China); and
- China Northern Airlines – based in Shenyang and operating mainly domestic routes and ‘some’ international routes (only Hong Kong (China), was named).

This set-up continued until 2000, when CAAC moved to consolidate and re-analyse, combining all CAAC-owned airlines – either through mergers or alliances – into just three entities: Air China, China Eastern and China Southern. A report in 2001 clarified these plans:

- Beijing-based Air China would acquire China Southwest and CNAC (a holding company that owned a small share in Cathay Pacific and sizeable shares in Dragonair and Air Macao).
- Shanghai-based China Eastern would acquire China Northwest and Yunnan.
- Guangzhou-based China Southern would acquire China Northern and Xinjiang. (It already had a majority share of Xiamen Airlines.)

Those mergers took place in 2003 and, with the formal completion of the consolidation process in 2004, CAAC again began to issue new operating licenses. This so-called ‘post-consolidation’ phase has often followed extensive airline mergers and acquisitions. The new phase was also characterised by rapid traffic growth stimulated by liberalisation, deregulation and new airline entries. Among the airlines that gained operating licenses during the period are:

- Spring Airlines (2004), China’s first low-cost airline; in late 2009, it was granted the right to operate outbound services, with plans for short-distance routes to Japan, the Republic of Korea and the Russian Federation;
- Lucky Air (2004), based in Kunming and part-owned by Hainan Airlines and Shanxi Airlines;
- Juneyao Airlines (2005), a privately owned airline operating domestic services from Shanghai;
- Tianjin Airlines (2007), a merger of assets of Hainan Airlines, China Xinhua Airlines, Chang’an Airlines, and Shanxi Airlines; changed name from Grand China Expressway Air in 2009;
- Henan Airlines (2007), known as Kunpeng Airlines until its founding joint venture between Shenzhen Airlines and Mesa Air Group was terminated in 2009;
- Chongqing Airlines (2007), 60% owned by China Southern Airlines.

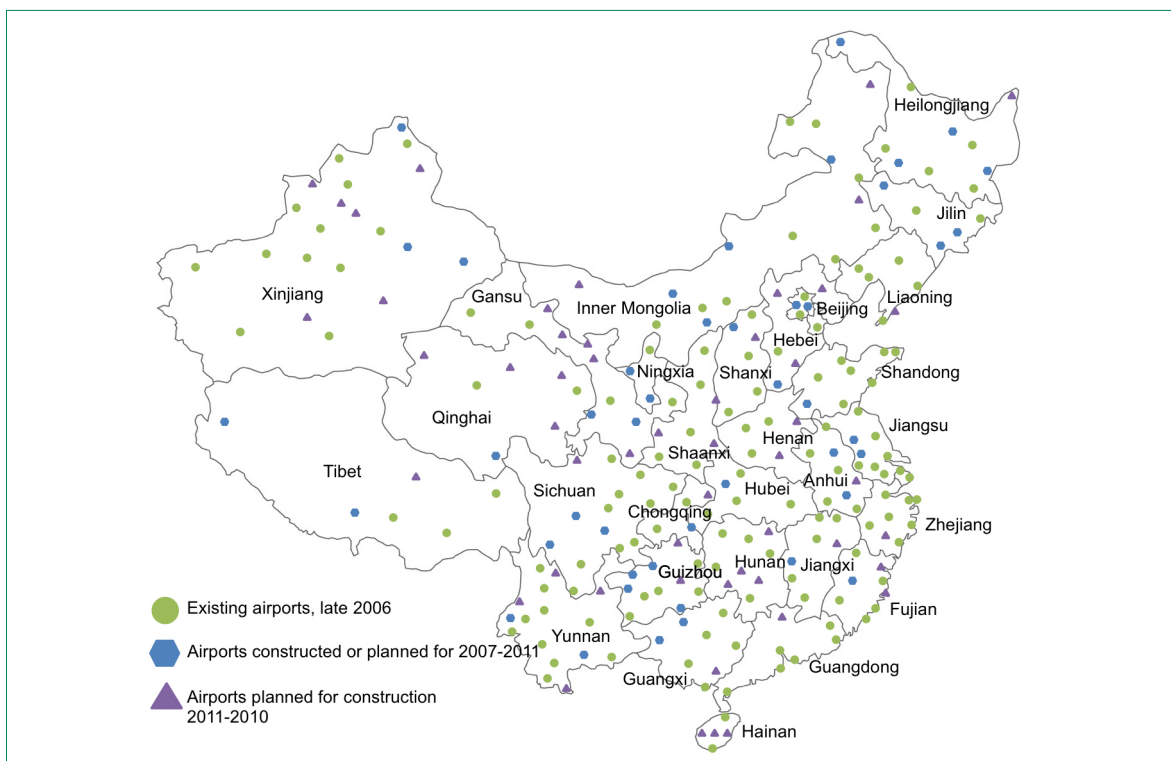
In 2007, CAAC announced a suspension on approvals for new airlines applicants, a decision that was reiterated in August 2010, owing to safety concerns following a Henan Airlines plane crash. Since 2008, only four carriers have been given the green light to launch: Wuhan-based Uni-Top Airlines and Shenzhen-based Shunfeng Airlines (both cargo airlines), Xi’an-based Joy Air and Tibet Air (both based in Western China). An industry insider noted that in 2008, 18 carriers applied to CAAC and all

were rejected.⁴ However, recent remarks from CAAC chief Li Jiaxiang indicate that a softening on the restrictions of new entrants is to be expected.

In February 2010, China Eastern Airlines merged with Shanghai Airlines, a move aimed at lessening competition between the two carriers and strengthening Shanghai's international standing as an aviation hub. Observers believe that similar mergers and acquisitions within the domestic market are likely if China is to realize its strategic vision of turning the country into a global competitor within the next 20 years.

4.2 The Airport Transport Environment

Figure 4.1 Airports in China, 2008



Visualisation: Kairos Future.

Source: CAAC (2011), *Achievements of Airport Construction*.

4.2.1 Airport Capacity Strained

With the dramatic increase in the volume of passenger traffic in China in recent years – between 2005 and 2011 it grew by 112%, to 293 million passengers – airports are heavily congested. Observers say that the international expansion of Chinese airlines cannot compete without a sophisticated hub-and-spoke network, which only in the last decade started to emerge as an alternative to China's still-dominant point-to-point routes. Hub development has made progress, with the fast expansion of Guangzhou, Shanghai, and Beijing airports (the latter is now the world's second busiest airport, handling 74 million passengers in 2010). However, with China's low airport density – 1.6 per 100,000 km² – the dearth of spoke airports remains a weak point. In an effort to address this problem, many of the 69 new airports planned until 2020 will be secondary airports located in less-developed western regions. Specifically,

4 AV Buyer (2011), *CAAC loosens grip on approving new domestic airline entrants* (Online), available: <http://www.avbuyer.com.cn/e/2011/40775.html> (28-05-2011).

the Chinese government has pledged to invest CNY 425 billion during the country's 12th Five-Year Plan period (2011-2015) in the construction of 56 new airports, replacement of 16 airports, and expansion of 91 airports.⁵

Further measures to reduce flight delays include a decision in August 2011 to open up low-altitude airspace for general aviation; there is speculation that this move will allow for the opening up of high-altitude airspace as well – currently controlled by the military – which would allow airlines to further optimize route structure.

Table 4.1 Passenger traffic volume, civil aviation in China

Year	Passengers (million)
1980	3
1990	17
1995	51
2000	67
2005	138
2006	159
2007	186
2008	193
2009	231
2010	268
2011	293

Source: National Bureau of Statistics of China, see also www.wcarn.com/cache/news/19/19734.html and www.wcarn.com/cache/news/19/19778.html.

4.2.2 The 'Big Three' Dominate International Routes

China's consolidated 'big three' airlines control some 75% of total seats offered in the domestic market today, as well as over 90% of the international capacity operated by mainland Chinese airlines.

Table 4.2 Leading Chinese airlines, 2010

Airline	Passengers (overall seat load factor)	Fleet (March 2010)	Number of international destinations served	Main hubs	Airlines alliance
Air China	60 million (80%)	268	185 (42)	Beijing Chengdu Shanghai	Star Alliance
China Eastern	64.93 million (78%)	266	104 (43) ^a	Kunming Shanghai Xi'an	SkyTeam
China Southern	76.5 million (79.2%)	422	121 (58) ^a	Beijing Guangzhou Baiyun	SkyTeam
Hainan Airlines	18.63 million	112	90	Haikou Beijing	

a) ETC and UNWTO (2008), *The Chinese Outbound Travel Market with Special Insight into Europe as a Destination*, UNWTO, Madrid.

Source: Civil Aviation Administration of China (2011).

5 SINA (2011), *China's 56 new airports* (Online), available: <http://mil.news.sina.com.cn/s/2011-05-18/1727647781.html> (05-06-2011).

4.2.3 The Leading Players

Air China enjoys a favourable (and favoured) position; with its main base in the capital city Beijing, it has traditionally been the country's main flag carrier, and held the bulk of China's international traffic rights. In 2010, it served an estimated 42 international destinations (including several in Europe), carrying 60 million domestic and international passengers with a net profit of CNY 12 billion (US\$ 1.8 billion).⁶

In December 2007, Air China became a member of Star Alliance alongside Shanghai Airlines. In the last couple of years, it has increased its shareholdings in several airlines. In July 2009 it increased its stake in its troubled subsidiary, Air Macao, from 51% to 84%. One month later, it raised its stake in Cathay Pacific from 18% to 30%, expanding its presence in Hong Kong (China). In April 2010, Air China became the controlling shareholder in Shenzhen Airlines, which further enhanced its position in Beijing, Chengdu, and Shanghai.⁷

In January 2008, Air China's parent company, the state-owned China National Aviation Corporation, announced an offer to outbid Singapore Airlines for a 24% stake in **China Eastern Airlines**.⁸

Founded in 1988 and based in Shanghai, China Eastern was the first airline in China to be listed on a stock exchange. It operates over 80 international and regional routes and over 330 domestic routes. In 2010, it carried 65 million domestic and international passengers, with an average load factor of 78%. In the same year, the airline reported a net profit of CNY 5.3 billion (US\$ 807 million).

In February 2010, China Eastern merged with Shanghai Airlines, a move designed to reduce excess competition between the two Shanghai-based carriers and to consolidate Shanghai's status as an international aviation hub. While Shanghai Airlines has retained its brand and livery, the combined airline has over half the market share in Shanghai.⁹ As of June 2010, China Eastern Airlines is an official member of the SkyTeam airline alliance.

China Southern Airlines, another member of SkyTeam, was established in 1988 following the restructuring of the Civil Aviation Administration of China. Through a number of mergers and acquisitions of domestic airlines, it has become China's largest carrier – both in volume of passengers carried and number of flights. Its international operations are, however, modest compared to its two 'big three' rivals. In 2010, China Southern Airlines carried 76.5 million domestic and international passengers with an average load factor of 79.2%. The airline reported a net profit of CNY 5.8 billion (US\$ 883 million) in 2010.¹⁰

Hainan Airlines, established in 1989 as Hainan Province Airlines in Hainan, is the largest privately owned air transport company and the fourth-largest airline in terms of fleet size in China. It operates scheduled domestic and international services (currently serving 14 international destinations) on 500 routes, from Hainan and nine locations on the mainland as well as through charter services.¹¹ It was the first Chinese airline (one of seven in the world) to be ranked as a 5-star airline by independent consultancy firm Skytrax.

Xiamen Airlines, which is 60% owned by China Southern Airlines and 40% owned by Xiamen Construction and Development Group, was established in 1984 in Xiamen, Fujian Province.¹²

6 Civil Aviation Administration of China (2011) (Online), available: <http://www.caac.gov.cn/ZZJS/> (07-06-2011).

7 Ibid.

8 Ibid.

9 Ibid.

10 Ibid.

11 Ibid.

12 Ibid.

4.3 International Airline Services

4.3.1 Chinese Traffic Rights Currently Underutilised

Internationally, China's carriers still have some miles to travel, to quote the Centre for Asia Pacific Aviation (CAPA). Traffic rights in key markets like the United States of America are underutilised by Chinese airlines due to lack of brand recognition and effective product distribution. Despite a 31.3% rise on 2009, the 19 million international passengers utilizing Chinese airlines in 2010 only made up 7.7% of total passengers carried. China envisages this number to increase rapidly in the coming decade – 50% in 2020 and 60% in 2030. Global alliance membership plays a key role in enhancing market presence; currently, Air China has joined Star Alliance while China Eastern and China Southern have both joined SkyTeam.

Meanwhile, market liberalization provides foreign airlines with greater access to the Chinese market. A 2007 China–United States of America air transport agreement has led to a number of initiatives; American Airlines opened a second direct route from Chicago to Beijing in 2010, and several low-cost carriers are making moves into the Chinese market. China's carriers will inevitably face greater competition, also on its domestic market.

In 2010, air links between China and the rest of the world were closer with new routes opened up almost every month, offering more choice for China's outbound travellers. If Air China/Cathay Pacific – the most probable candidate for an international power player – positions itself effectively internationally, its ability to hub through the mainland provides an enormous edge over competitors in the domestic market.

Table 4.3 New routes and flights in 2010

Effective date	Airline/airport	New routes or flights
October 2009	Shenzhen Airlines	Two more flights were added to the Shenzhen-Seoul round-trip route.
	Haneda Airport	The regular Haneda-Beijing service was inaugurated on 25 October 2009, and the daily flights were jointly operated by Air China, Japan Airlines (JAL) and All Nippon Airways (ANA).
	Air China	The Hangzhou-Beijing-Frankfurt route was opened.
		The frequency of the round-trip flight for the Beijing-Stockholm route increased to four flights per week.
		One daily flight for the Beijing-Rome route was offered.
December 2009	Air China	The Beijing-Madrid-Sao Paulo service was resumed.
January 2010	Air China	The daily schedule for the Shanghai-Frankfurt route was offered.
February 2010	Air China	The Shanghai-Chengdu-Bangalore route was opened.
March 2010	Hainan Airlines	The direct Hangzhou-Bangkok route was opened.
	China Eastern Airlines	The round-trip routes between Shanghai and London, Shanghai and Moscow were reopened.
	Mexicana Airlines	The route from Shanghai Pudong International Airport via Tijuana to Mexico City International Airport was resumed.
May 2010	American Airlines	The direct Chicago-Beijing route was opened.
June 2010	Yemen Airlines	The regular round-trip route from Sana'a, the capital of Yemen, via Dubai, United Arab Emirates, to Guangzhou, China, was opened.
July 2010	Spring Airlines	The direct Shanghai-Omitama route was opened.
November 2010	China Southern Airlines	The round-trip Beijing-Dubai-Jeddah route was opened.

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 31.

4.3.2 Routes to Europe

According to a recent CAAC report, there were 302 international routes connecting China to other countries at the end of 2010, a growth of 5.3% in five years. In September 2010, according to SRS Analyser, 23 airlines operated 471 weekly flights from China and Hong Kong (China), to Europe (excluding the Russian Federation), with a total capacity of 135,000 seats. This represented an increase of 20% in the number of flights and 19% in seat capacity since March 2010. While taking seasonal variations into account, these figures show that demand is picking up again after the global economic downturn (seat capacity fell by 4% between March 2009 and March 2010).

While the global downturn caused British Airways, Virgin Atlantic and Cathay Pacific to cut capacity heavily in 2008-2009, Aeroflot, Turkish Airlines, and Chinese airlines in particular have seen increased capacity in recent years. Alitalia withdrew its flights between Pudong (Shanghai) and Milan, but plans to resume them in June 2011.

New routes to Europe are continuously introduced: Air China intends to add flights from Peking to Athens, Milan, Rome and Düsseldorf, and possibly other European destinations, in 2011; China Eastern will introduce flights from Pudong (Shanghai) to Milan; Turkish Airlines will introduce flights between Guangzhou and Istanbul; Virgin Atlantic is reported to be planning a service between Beijing and Heathrow; and most recently, Finnair announced a route between Chongqing and Helsinki. The latter route is noteworthy not only because it will be the shortest flight between China and Europe, but also because it illustrates the increased connectedness of inland China. (Flights from Chongqing also go to Luxembourg, Moscow, and Hanoi.)

In addition to route expansions, the numbers of flights have also increased steeply in recent years. Air China still operates the highest frequency of flights from mainland China – as of September 2010, more than twice as many as its closest contender, Lufthansa. Annex VI contains a list of airlines and their weekly flight to and from China.

Table 4.4 shows the total weekly capacity in the months of March and September 2010 (services from Hong Kong (China), are also included).

Table 4.4 Scheduled weekly flight capacity from China to Europe, 2010

Originating airport	March 2010		September 2010	
	Flights	Seats	Flights	Seats
Beijing	141	30,066	169	45,414
Pudong (Shanghai)	98	26,555	119	31,841
Guangzhou	9	2,355	10	2,647
Others in mainland China	6	9,629	15	3,540
Hong Kong (China)	139	44,844	158	51,492
Total	393	113,449	471	134,934

Source: SRS Analyser

4.3.3 European Airlines Marketing Initiatives

European airlines are increasingly working to strengthen their competitive position in the Chinese market. Although it has fewer services a week than many of its direct competitors, British Airways took an early lead in launching a Chinese-language website targeting domestic Chinese students. Apart from providing such basic information as flight timetables, promotions, and air agents' demography, the website also offers a large variety of travel, cultural, and lifestyle resources to help Chinese students who live in the United Kingdom.

In addition to offering on-board Chinese-language newspapers, magazines, films, and authentic Chinese food, Air France's live broadcast of CCTV (mainland Chinese) news programmes on its flights caters to Chinese passengers' requirements. The presence of Chinese-speaking staff, flight attendants and interpreters also offers greater convenience and comfort to the growing number of Chinese travellers.¹³

Airlines across the west exhibit increasing awareness of the Chinese tourist: SAS launched a Chinese-language website, provides Chinese-language publications on board and has recruited a number of Chinese-speaking flight attendants; Finnair began to offer Chinese-language ground services at Helsinki Airport several years ago, and the airline has also set up Chinese signs at the airport for the convenience of passengers from China; Austrian Airlines and Lufthansa, meanwhile, publicise the fact that they provide Chinese food and newspapers inflight; Lufthansa claims to have appointed a Chinese 'Star Chef' to prepare food for its passengers and recently decided to fly an Airbus A380 bearing the name Peking on its Frankfurt-Beijing route.

4.3.4 Outlook for European Airlines in China

Despite some European airlines cutting capacity in 2008 and 2009, the growth trend is clear: since 2007, weekly flights from China to Europe have grown by 16%. Many European airlines are fostering or increasing their presence in China – introducing new routes, higher flight frequency, and numerous marketing initiatives.

As market liberalization progresses, foreign airlines will be given greater access to the Chinese market. Nevertheless, despite the continuous growth in demand for travel to/from Europe and other intercontinental points, long-haul access to China will probably be restricted as long as China's 'big three' carriers are unable to compete more effectively – through branding and marketing – for foreign inbound travellers. This situation will continue as long as these airlines remain unrecognized on the global stage, which is likely to highlight the need for innovative foreign partnerships.

13 CNTV (2011), *Air France route with Chinese air hostesses* (Online), available: <http://news.cntv.cn/world/20101125/111126.shtml> (07-06-2011).

Travel Agencies in China

5.1 Travel Distribution

5.1.1 An Expanding Market with Increasing Competition

As tourism demand is booming and with it a desire for more personalised services, China's travel services market is expanding every year. An increasingly open market and growth of internet technology are also creating more competition for existing providers.

In 1997 there were only 67 travel agencies licensed to handle outbound travel in China. The number rose to 528 in 2002, 672 in 2005, and 1,070 in 2010. Despite this rapid growth, domestic tourism still accounts for a large majority of travel business in China. As of 2009, outbound tours accounted for 4.9% of all travel agency business in the country.¹

Table 5.1 Number of licensed travel agencies in China, 2007-2010

Year	Inbound and outbound	Domestic only	Total
2007	1,838	17,882	19,720
2008	1,970	18,140	20,110
2009	1,069	20,580	21,649
2010 ^a	1,070	21,714	22,784

a) Nation Bureau of Statistics of the PRC (2011), *National Travel Survey of Travel Agencies for the Fourth Quarter of 2010*.

Source: CNTA (2010), *Annual report of China National Tourism Administration*.

As a result of specialization and concentration, the number of outbound travel agencies has decreased over the past four years, but with a growing volume of business. Many small and medium-sized travel agencies are beginning to more effectively identify and consider their own market position. Specialization is on the rise as travel agencies increasingly focus on a certain niche.² Agencies are also starting to direct their strategies to either inbound or outbound travel.³ Currently, outbound travel agencies account for less than 5% of all travel agencies in China. However, their income was CNY 38.4 billion in 2009, representing a year-on-year increase of 6.9%, and accounting for 22% of the nation's total. Furthermore, these outbound travel agencies had a gross profit of CNY 2.5 billion, up 29% from the previous year and accounting for a gross profit of 21%.

Outbound travel agencies are dispersed throughout China. In 2009, there were 139 in Beijing, 42 in Shanghai, 136 in Guangdong Province, 49 in Jiangsu Province and 44 in Zhejiang Province, with at least 4-5 agencies per province in the rest of the country.

As Beijing, Shanghai and Guangzhou have better access to information – international flight data, information on visas and other formalities from foreign embassies and consulates, for example – they continue to dominate the market. Many have set up business relationships with their counterparts in countries with Approved Destination Status (ADS). A number of these metropolitan travel agencies

1 China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 47.

2 China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 41.

3 China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 47.

have also become outbound travel wholesalers, working with licensed outbound travel agencies in other provinces who become retailers for the established wholesalers/travel agencies in the three main cities. The retailers receive local bookings and then ask the leading agencies in the three main cities to take over processing and handling of all formalities, such as visa applications. As agents, the provincial agencies' profits are higher than they would be if operating independently, so this system suits them, and it clearly suits the major agencies/wholesalers as they retain control.

Table 5.2 The largest outbound travel agencies in China, by major source city

Beijing	Shanghai	Guangzhou
China International Travel Service (CITS)	China International Travel Service (CITS)-Shanghai	China International Travel Service (CITS) - Guangdong
China Travel Service (CTS)	China Travel Service (CTS)	China Travel Service (CTS)
China Youth Travel Service (CYTS)	China Ocean International Travel, China Travel International (CTI)	China Youth Travel Service (CYTS) - Guangzhou
China Peace International Tourism (CPITC)	Shanghai CITIC International Travel	GZL International Travel Service

Source: China National Tourism Administration (2011).

China International Travel Service (CITS) is the largest inbound operator and the second-largest outbound operator. It has offices in all the major cities in China.

China Travel Service (CTS) is China's largest outbound operator.

China Youth Travel Service (CYTS), controlled by the Communist Youth League of China, claims to be one of the three largest travel agencies in China (handling inbound, outbound and domestic travel), and in 1997 was the first Chinese travel agency to be listed on the stock market.

China Peace International Tourism (CPITC), based in Beijing, is a diversified inbound and outbound travel agency and one of the few companies equipped to deal with MICE business.

Shanghai CITIC International Travel Co., Ltd. is a subsidiary of the state-owned conglomerate, CITIG Group.

GZL International Travel Service Ltd., established in 1980, is now the largest comprehensive travel enterprises in south China with head offices in Guangzhou.

As it stands, the outbound travel market in China remains ambiguous, with no clear distinction between various travel services. Everything from private individuals forming their own travel groups to small retailers relying on larger wholesalers for official procedures can be found.⁴ For example, China Ocean International Travel, China Travel International (CTI), Panorama Tour, and Shanghai Business International Travel Service Company operate mainly as wholesalers but also sell directly to the consumer, making them important players in the Chinese tourism market.

Quite a few of the companies in the outbound travel retail sector are state-owned: CITS (China International Travel Service), CYTS (China Youth Travel Service), and CTI (China Travel Service). Private business is also booming, and some are gaining national influence.⁵ As demonstrated, several new players are entering the field with the market's ever-growing competitiveness; for outbound travel, though, most of the market share goes through the already large players.

4 ETC (2011), *ETC Market Insights: China, January 2011* (Online), available: http://www.etc-corporate.org/resources/uploads/ETCProfile_China-1-2011.pdf (18-06-2011).

5 VisitBritain (2011), *China market and trade profile updated 2010*, (Online), available: http://www.visitbritain.org/Images/China_tcm139-167250.pdf, p. 38 (18-07-2011).

5.1.2 Joint Ventures with Foreign Companies

Over the last few years, there have been a growing number of joint ventures. Since the beginning of 2003, in keeping with the General Agreement on Trade in Services (GATS) signed by China on its accession to the World Trade Organization (WTO), foreign-owned travel agencies have been allowed a controlling stake in joint ventures in the inbound travel business.

Under the terms of GATS, agencies/operators are allowed to be completely foreign-owned. Among the best known are Gullivers Travel Associates (part of Travelport since 2005), Jalpak International, Japan-based All Nippon, and Singapore-based Star Cruises.

Initially, such groups needed to have a worldwide turnover of at least US\$ 40 million and were not allowed to conduct outbound travel business. The US\$ 40 million turnover restriction was scrapped in 2009, when the State Council and the CNTA adopted and promulgated the new Regulations on Travel Agencies. The new rules stipulated that the only requirements would be a fixed place of business, necessary facilities, and a registered capital of over CNY 300,000. Foreign enterprises, however, were still subject to limitations; thus, many foreign operators have chosen to cooperate with Chinese entities in joint ventures. In 2009, 38 such foreign-invested travel agencies for inbound travel were approved; 19 of them in Beijing, 7 in Guangdong, 6 in Shanghai, and one each in Hunan, Fujian, Tianjin, Yunnan, Zhejiang, and Hainan.⁶ These joint ventures include:

- Show Tour (Hainan) International Travel Service Co., Ltd. was jointly established by Shanghai Airlines Holiday Travel Service and Japan's Island Travel Experts-HIS. It is the first joint venture travel agency in Hainan province;
- Ningbo Multinational International Travel Agency was co-founded by Australia-based ASF Group Ltd; the first joint venture travel agency in Zhejiang province;
- Mediterranean Cruise Travel Agency (Shanghai) Co., Ltd. was set up between Italian MSC Cruises and Shanghai International Port (Group) Co., Ltd. The company is the only representation of MSC Cruises in mainland China and its responsibility is to promote MSC cruises business through trade distribution network.

Other joint ventures meriting attention are:

- CITS and American Express Travel Services formed a joint-venture travel company in December 2002, headquartered in Beijing. The joint venture, CITS American Express, is the first corporate travel joint venture in China to be licensed for both domestic and international ticketing;⁷
- CTS Hong Kong and Synergi partnered to form CTI Sunshine Business Travel Management Company in November 2003. The venture, of which TUI owns 75% and CTS owns the rest, combined with its new license, makes TUI the only EU tour operator allowed to sell outbound travel to Chinese citizens;
- Kuoni Travel strengthened its position in China in 2004 by acquiring full control of Hong Kong-based tour operator P&O Travel Hong Kong. This Switzerland-based group already held 50% of the company, a share now fully integrated into the Kuoni Group. P&O is established in China;
- United Kingdom-based Business Travel International (BTI), the world's leading corporate travel management company, launched a joint venture with Shanghai Jin Jiang International (Group) Ltd in August 2004;
- Flight Centre Ltd, the largest travel agency group in Australia, established a joint venture, Flight Centre Comfort Business Travel Service, with China Comfort Travel in August 2004;

⁶ Ibid.

⁷ M-Travel (2011), *A Major Breakthrough for TUI's Chinese Operations* (Online), available: <http://www.m-travel.com/news/2011/05/a-major-breakthrough-for-tuis-chinese-operations.html> (18-06-2011).

- Gullivers Travel Associates (GTA), which launched its China subsidiary in August 2004, is operating inbound and domestic travel services, although it also handles Chinese inbound business in Europe and other destinations on behalf of Chinese tour operators/agencies. GTA has set up two companies and three representative offices in Beijing, Shanghai, Chengdu and Hong Kong;
- Cendant Travel Distribution Services (now Travelport) signed an agreement for a joint venture in August 2004 with CYTS Tours Holding. As part of the joint venture, Cendant TDS contributed the assets of its June 2004 acquisition, Beijing-based subsidiary Si Hai Tong Jie Reservation Service Co Ltd, a leading hotel consolidator and online booking engine. The company provides electronic travel services catering to China's leisure and business traveller market.

5.1.3 Tour Groups versus Fully Independent Travellers (FITs)

The majority of Chinese outbound leisure passengers are obliged to join tour groups with a minimum of five participants organised by licensed travel agencies. (For Australia and New Zealand, the minimum size of an approved tour group is now two, as already discussed.) They must remain in their group for the whole of the trip and all travel activities during the tour are the responsibility of a tour manager. However, recent figures show that these potentially limiting factors may not be enough to persuade most Chinese tourists to adopt the FIT option as an alternative. According to official figures cited in the China's Tourism Development Analysis and Forecast (2011), travel agencies in China organized 12.35 million outbound passenger trips in 2009 – this represents a 46% increase from 2006. Travel agencies' share of the outbound Chinese travelling (excluding travelling to Hong Kong and Macao) was 89.1% in 2009.

Table 5.3 Travel agencies share of the Chinese outbound tourism market, 2006-2009

Year	Number of outbound trips organized by travel agencies (million)	Total number of outbound trips (excl. Hong Kong and Macao) (million)	Travel agencies' share of outbound tourism (excl. Hong Kong and Macao) (%)
2006	8.4	9.0	93.4
2007	9.9	12.1	81.9
2008	10.9	12.8	85.5
2009	12.3	13.9	89.1

Source: Deqian, Guangrui and Rui (2011), *Green book of China's tourism*, p. 67.

5.1.4 Simplifying and Clarifying Rules Governing Travel Agencies

As noted, CNTA and the State Administration for Industry and Commerce adopted new Regulations on Travel Agencies in 2009. The new regulations simplify the formalities and ease the process of establishing travel agencies. They also strengthen the monitoring and administration of travel agencies in a number of ways, including: contracts between agency and traveller that specify the exact content of the trip; deposit of funds by the agency payable to the traveller in case of agency misconduct; and reporting to CNTA in case of tourists' illegal overstay. To further clarify rules regulating the interaction between travel agencies, CNTA in 2010 issued Notice of Relevant Matters on Travel Agencies Entrusting Agencies to Attract Tourists.⁸

In addition, it is reported that CNTA is promoting a long-term travel credit system. This is designed to compile information on travel agencies who break travel-related rules in China, as well as to inform consumers about trustworthy travel companies. As the Chinese outbound travel market has grown, the

8 China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 50.

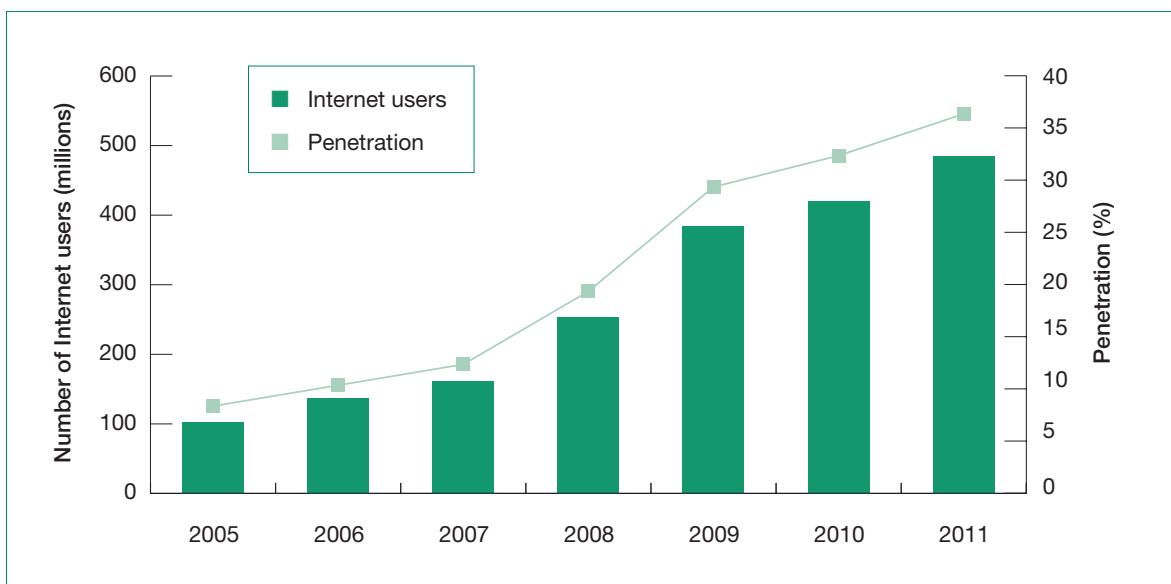
number of disputes has also risen. Often, these disputes stem from unregulated travel contracts in cases in which tour guides do not bring their tour group members to promised locations, or force travellers to buy souvenirs at selected shops. New legislation is needed to minimise and prevent these problems.

5.2 Online Travel

5.2.1 Growing Importance of the Internet

The growth in Internet usage in China over the last decade is staggering. In just half a decade, Internet use in China has grown by almost 350 million users to 485 million as of June 2011, according to China Internet Network Information Center. The overall Internet penetration level is still small compared to that in many other countries, but in absolute volume China holds by far the largest Internet population in the world. McKinsey & Company forecasts that the number of Internet users in China will increase to 750 million in 2015. Additionally, it expects China to add 100 million mobile Internet users in the next few years.⁹

Figure 5.1 Growth of internet usage in China, 2005-2011



Source: China Internet Network Information Center (2011).

⁹ Xinhuanet (2011), *Increase of internet users* (Online), available: http://news.xinhuanet.com/society/2011-02/25/c_13750302.htm (18-06-2011).

Table 5.4 Top ten internet countries, 2010

Country or Region	Internet users (million)	Population (million)	Internet penetration (%)	Share of world users (%)
China	420	1,330	31.6	21.4
United States of America	240	310	77.3	12.2
Japan	99	127	78.2	5.0
India	81	1,173	6.9	4.1
Brazil	76	201	37.8	3.9
Germany	65	82	79.1	3.3
Russian Federation	60	139	42.8	3.0
United Kingdom	51	62	82.5	2.6
France	45	65	68.9	2.3
Nigeria	44	152	28.9	2.2

Source: Internet World Stats (2011).

At present, the proportion of male to female Internet users among net citizens in China is 55.1% male users and 44.9% female users.¹⁰ The gap between males and females – currently 10.2% – is slowly narrowing. It decreased by 1.4% between 2010 and 2011, but still has a long way to go before reaching the overall gender gap in China of 2.6%.

Table 5.5 Chinese internet users by age group in December 2009 and June 2010 (%)

Age	December 2009	June 2010
< 10	0.5	0
10 to 19	37.9	35.8
20 to 29	35.3	35.4
30 to 39	17.1	19.6
40 to 49	6.7	7.9
50 to 59	1.8	1.1
≥ 60	0.7	0.2

Source: China Internet Network Information Center.

As indicated in table 5.5, the 10-29 year age group is the largest, with 71.2% of Internet users.¹¹ The age structure of Internet users continues to develop towards maturity. The proportion of net citizens aged 30 or above has increased from 38.6% in 2009 to 41% in 2010. Reasons for this include a lower threshold for Internet installation and use as well as aging Internet-savvy groups.

10 China Internet Watch (2011), *China Internet Statistics Whitepaper* (Online), available: <http://www.chinainternetworkwatch.com/whitepaper/china-internet-statistics/> (18-06-2011).

11 China Internet Network Information Center, *The 26th Statistical Report on Internet Development in China* (Online), available: <http://www.cnnic.net.cn/uploadfiles/pdf/2010/8/24/93145.pdf> (19-06-2011).

5.2.2 E-commerce in China

Less than a decade ago, Chinese e-commerce was still in its infancy. The country lacked an online payment system for handling credit card transactions in a safe, efficient manner, and a poor logistic and distribution network restricted remote online transactions.

Today's e-commerce industry reveals a vastly different landscape. In 2010, China's online shopping industry had a turnover of US\$ 80 billion, and grew 87% year-on-year. Goldman Sachs estimates this will reach US\$ 300 billion by 2015.¹²

The large growth of e-commerce in China can be attributed to services like Alipay, a service similar to Paypal where funds are not transferred to the vendor until after a confirmed delivery. Alipay is processing more than US\$ 146 million in transactions every day, and has a projected growth of revenue that would exceed Paypal within 2 years. Similar to the Paypal/eBay relationship, much of Alipay's success has been linked to the company's online retailer, Taobao, which accounts for 80% of China's total online market share.¹³

Alipay's success lies in its tapping into customer fears; many Chinese consumers had a difficult time trusting retailers to send genuine and undamaged goods. With Alipay or other third party payment services, consumers can expect a higher level of quality, reliability, and customer service.

Table 5.6 Internet transactions in China, 2007-2013

Year	Online shopping transactions (CNY billion)	Growth (%)	The proportion of total retail sales of consumer goods (%)
2007	56	113	0.6
2008	128	128	1.2
2009	263	105	2.1
2010	523	99	3.3
2011 (est.)	723	38	4.6
2012 (est.)	994	37	5.6
2013 (est.)	1,269	28	6.5

Source: iResearch Consulting Group (2011); China Internet Network Information Center (2011).

Opportunities online are not only afforded by the large players on the market; iResearch data shows that China's small- and medium-sized companies' business-to-business e-commerce transactions reached CNY 1.86 trillion in 2009.¹⁴

12 Goldman Sachs (2010) [doc88.com], *Asia Pacific: Internet – e-Commerce and Portals* (Online) available: <http://www.doc88.com/p-23143144928.html> (18-06-2011).

13 Buy Sight (2010), *E-Commerce in China Expected to Double in 2010* (Online), available: <http://www.buysight.com/blog/2010/01/18/e-commerce-in-china-expected-to-double-in-2010/> (27-06-2011).

14 iResearch Consulting Group (2011) (Online), available: <http://www.iresearch.com.cn/> (19-06-2011).

5.2.3 Online Travel ‘Looking’ and ‘Booking’

Unsurprisingly, Internet users now turn to online sites for their travel needs: 68% of travellers search the web for information, making it a more important channel than the travel agent’s office (65% of travellers); personal recommendation by friends or relatives (46% of travellers); or magazines and newspapers (42%). Online regional or national tourism offices are used by 18% of the Chinese outbound travellers.¹⁵

Although e-commerce is on the rise, the Internet is currently primarily used as a research tool. The holiday itself is usually booked via a travel agency (62% of travellers), while only 13% of Chinese travellers use the Internet to make travel bookings online. This can be compared with a share of more than 60% in most western countries. An important reason behind this is that the majority of Chinese do not have credit cards, making online bookings difficult. Additionally, many still prefer to hear a familiar, recognisable voice and try to bargain for a better deal. Notwithstanding these barriers, China’s online travel market volume grew 30% in 2010. Research forecasts that the total value of the online booking sector will be worth US\$ 15.4 billion by 2013.¹⁶

Travel booking websites in China have also started to promote ‘m-commerce’ (mobile commerce). Since smartphone users are overrepresented among international travellers, mobile travel booking is expected to take off in the next years.¹⁷

5.2.4 NTOs’ Use of the Internet for Marketing

Throughout China, research on potential holiday destinations is increasingly performed online. As noted in the previous section, 68% of travellers consult the Internet before making their travel choice and 18% visit regional or national tourism office websites.

As far as travel to Europe is concerned, VisitBritain’s research suggests that the majority (90%) of potential travellers would consult the Internet if planning a trip to the United Kingdom or the rest of Europe. But, due to visa requirements and the recurrent problems with expanding the process of electronic payment, there are some concerns among NTOs that online booking will not develop as a key factor in the market in the short term.

Nevertheless, a number of major NTOs are developing, or have created, their own simplified Chinese websites to cater to the mainland market (traditional Chinese characters are used for the Hong Kong and Taiwanese markets, whilst mainland Chinese and Singaporean Chinese read simplified Chinese characters.)

Table 5.7 European countries with NTO websites in simplified Chinese, January 2012

Austria	Ireland
Belgium	Luxembourg
Czech Republic	Norway
Estonia	Slovenia
Finland	Spain
Germany	Portugal
Hungary	

Source: European countries tourist website respectively.

15 China Internet Network Information Center (2011), *China Market Scan 2010* (Online), available: http://www.nbtc.nl/corporate/nl/system/Images/MarketScan-China-2010_tcm521-145564.pdf (19-06-2011).

16 ETC (2011), *ETC Market Insights: China, January 2011*, p. 12 (Online), available: http://www.etc-corporate.org/resources/uploads/ETCProfile_China-1-2011.pdf, p. 12 (27-06-2011).

17 China Internet Network Information Center (2011), *The 26th Statistical Report on Internet Development in China* (Online), available: <http://www.cnnic.net.cn/uploadfiles/pdf/2010/8/24/93145.pdf> (19-06-2011).

The Scandinavia Tourist Board (STB) has a website in simplified Chinese, which includes tourist information for Denmark, Norway and Sweden. Norway also has its own independent tourist website in simplified Chinese.

5.2.5 Online Travel Agencies

The largest online travel aggregator, Qunar, has experienced a meteoritic rise since its founding in 2005. In June 2011, search giant Baidu made a US\$ 306 million investment in the company. Issues have, however, been raised regarding the accuracy and relevance of the visitor numbers presented in table 5.8. Some say that Qunar is an aggregator rather than an online travel agency and therefore should not be compared with companies such as Ctrip. When Baidu made its investment in Qunar, Ctrip had a market value of US\$ 23 billion. It is a diversified travel agency offering hotel reservations, airline ticketing, and packaged tours to corporate and leisure travellers in China. Additionally Ctrip has a call centre, accounting for 70% of the company's business. The website has over 6 million monthly unique visitors.

Table 5.8 Visitor shares of online travel agencies in China, November 2011 (%)

Online travel agency	Share of online visits
Qunar	42
Kuxun	17
Ctrip	15
17U	7
Taobao Travel	5
eLong	4
MangoCity	3
QQ Travel	3
Tuniu	2
TieYou	2

Source: China Internet Watch (2011), China Online Travel.

5.2.6 Prospects for Online Travel

Online travel bookings in China are estimated at US\$ 15.4 billion by 2011, up from US\$ 1.5 billion in 2006.¹⁸ Market drivers include low-cost airlines, the increased use of credit cards, the growth of the Internet and the rapid increase in household incomes. Research forecasts a strong surge in the Chinese online travel market due to a relatively low volume of online activity in China currently. But it will not all be plain sailing for European suppliers; progress is likely to be inhibited by the continued requirement for visas from most ADS countries, restrictions on the ability of many Chinese to travel and the tradition of relying on cash transactions.

A string of recent acquisitions evinces the fact that many are eyeing the high-potential online travel market in China. In May 2011, the Chinese Internet giant Tencent purchased 16% of eLong, a Chinese online travel company partially owned by Expedia. A month later, Baidu (which dominates the Chinese search market over Google) purchased a controlling stake of Qunar, a popular Chinese travel search aggregator. These acquisitions are seen as moves aimed to level competition with Ctrip.

¹⁸ Emarketer (2011) (Online), available: <http://www.emarketer.com>, p. 12. (23-06-2011).

The Outbound Travel Market

6.1 Introduction: A Large and Fast-Growing Market

International tourism grew 3.8% in 2012, after having increased by 4.7% in 2011 and following a strong recovery in 2010, when growth reached 6.5% over 2009.¹ Emerging economies, particularly in Asia, are the main drivers of this recovery, a reflection of a broader global shift that will shape the years ahead.

In 2012, Chinese outbound trips reached 82.2 million (departures as reported by China)², representing, a 18% increase from 2011. As early as 2002, China overtook Japan as Asia's leading source market in volume of trips abroad. Historically, the annual growth of China's outbound trips has been staggering, averaging 19% between 2000 and 2012.

However, the large majority of trips are to nearby destinations. Over two thirds of Chinese trips were to the Special Administrative Regions (SARs) of Hong Kong (China) and Macao (China). Hong Kong alone received 23 million Chinese visitors in 2010, and 28 million in 2011, and Macao respectively 16 million and 20 million.

In terms of tourism expenditure, Chinese travellers spent US\$ 102 billion in 2012, an almost five-fold increase from 2005, when expenditure was US\$ 22 billion, and a 40% jump from 2011, when it reached US\$ 73 billion. This makes China the largest spender in international tourism worldwide ahead of the United States of America (US\$ 83.7 billion) and Germany (US\$ 83.8 billion).

China is also a large destination itself. With 58 million international tourist arrivals in 2012, it is the world's third largest destination after France and the United States. Domestic tourism is also important, with an estimated 70% of Chinese citizens travelling within the country every year, making together some 3 billion trips.

A recent report by the Civil Aviation Administration of China (CAAC) sees China's domestic, inbound, and outbound trips continuing to grow at an average annual rate of 10%, 8%, and 9%, respectively, throughout the current five-year plan (2011-2015).³

1 World Tourism Organization (2013), *UNWTO World Tourism Barometer*, Volume 11, January 2013, UNWTO, Madrid.

2 National Bureau of Statistics of China (2013), *Statistical Communiqué of the People's Republic of China on the 2012 National Economic and Social Development* (Online), available at: www.stats.gov.cn/was40/gjtj_en_detail.jsp?channelid=1175&record=22.

3 CAAC (2011), 5 year plan for China's aviation industry (Online), available: www.caac.gov.cn/l1/l2/201105/t20110509_39615.html (08-06-2011).

Table 6.1 Key figures in Chinese tourism

		1995 2000 2005 2008 2009 2010 2011 2012								Change (%)		Average annual growth (%)		
													of which	
										'11/'10	'12/'11		'00-'05	'05-'12
Population	(million)	1,211	1,267	1,308	1,328	1,335	1,341	1,347	1,354	0.5	0.5	0.6	0.6	0.5
Gross Domestic Product (GDP)	(US\$ billion)	728	1,198	2,257	4,520	4,991	5,930	7,298	8,250	23.1	13.0	17.4	13.5	20.3
GDP per capita	(US\$)	601	946	1,726	3,404	3,740	4,423	5,417	6,094	22.5	12.5	16.8	12.8	19.7
Exchange rate	(US\$ to CNY)	8.35	8.28	8.19	6.95	6.83	6.77	6.46	6.31					
	(€ to CNY)	11.15	7.65	10.19	10.22	9.53	8.98	8.99	8.11					
Outbound tourism														
Trips	(million)	4.5	10.5	31.0	45.8	47.7	57.4	70.3	83.2	22.4	18.4	18.8	24.3	15.1
Expenditure (outside China, i.e. export)														
Travel	(US\$ billion)	3.7	13.1	21.8	36.2	43.7	54.9	72.6	102.0	32.3	40.5	18.6	10.7	24.7
Passenger transport	(US\$ billion)	..	1.1	3.0	4.8	3.4	5.0	6.4	..	29.5	..	..	22.9	..
Trips/100 population														
Expenditure (travel)/population	(US\$)	0.4	0.8	2.4	3.5	3.6	4.3	5.2	6.1	21.8	17.8	18.2	23.5	14.6
Expenditure (travel)/trip	(US\$)	3	10	17	27	33	41	54	75	31.6	39.8	18.0	10.0	24.1
Expenditure (travel)/GDP	(%)	816	1,252	701	789	917	956	1,033	1,226	8.0	18.6	-0.2	-10.9	8.3
Domestic tourism														
Trips	(million)	629	744	1,212	1,712	1,902	2,103	2,641	2,960	25.6	12.1	12.2	10.3	13.6
Expenditure	(US\$ billion)	16.5	38.4	64.5	125.9	149.1	185.8	298.8	359.7	60.8	20.4	20.5	11.0	27.8
Trips/100 population														
Expenditure/population	(US\$)	52	59	93	129	143	157	196	219	25.0	11.5	11.6	9.6	13.0
Expenditure/trip	(US\$)	14	30	49	95	112	139	222	266	60.0	19.8	19.8	10.3	27.2
Expenditure/GDP	(%)	26	52	53	74	78	88	113	122	28.0	7.4	7.4	0.6	12.5
Ratio domestic: international														
Trips		139:1	71:1	39:1	37:1	40:1	37:1	38:1	36:1					
Expenditure	(US\$)	4.5:1	2.9:1	3.0:1	3.5:1	3.4:1	3.4:1	4.1:1	3.5:1					

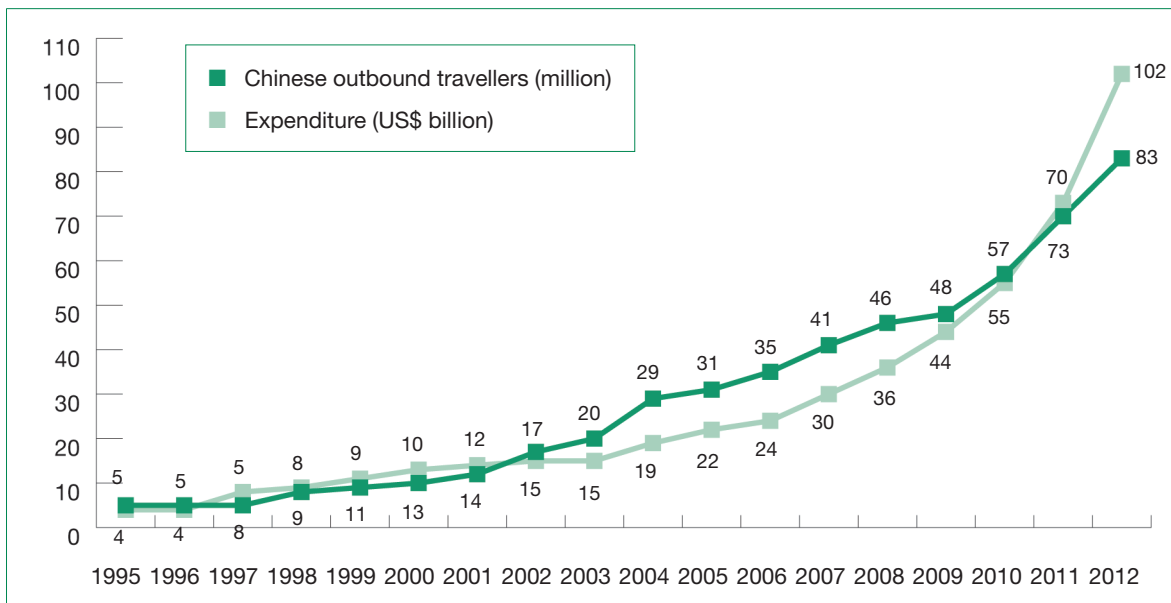
Source: UNWTO, based on the International Monetary Fund (IMF) and the National Bureau of Statistics of China.

6.2 Overview of Outbound Trips and Expenditure

6.2.1 Departures

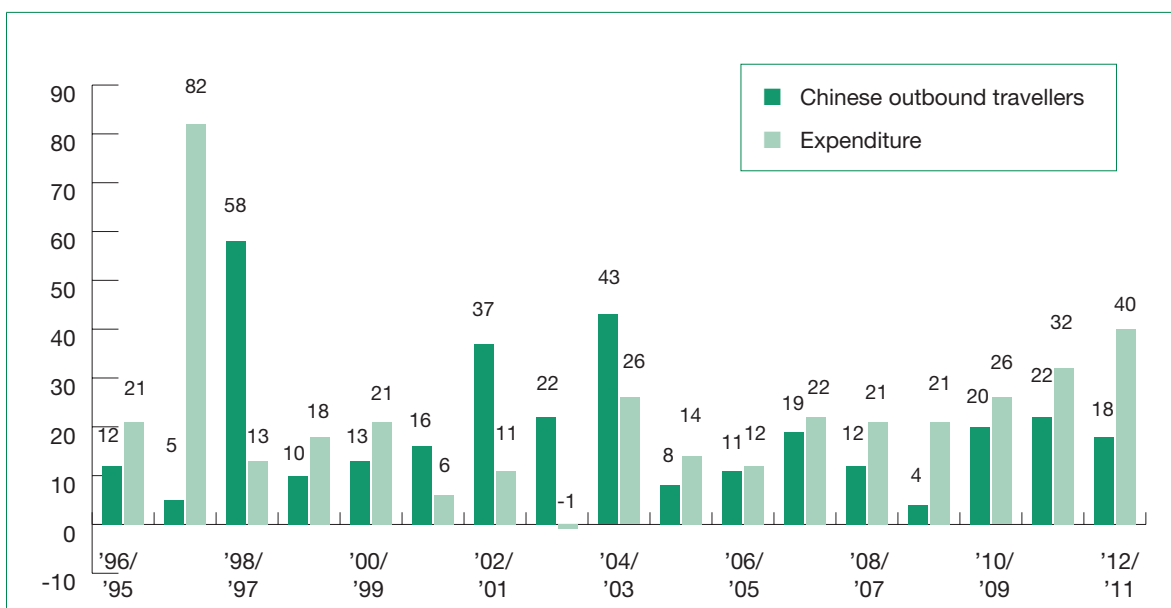
Chinese outbound tourism has increased almost eight-fold between 2000 and 2012, surging from 11 million international trips at the beginning of the decade, to over 83 million last year. Despite the global economic downturn, outbound trip volume has more than doubled between 2005 and 2012, corresponding to an average growth rate of 15% a year. China is Asia's leading source market in trip volume since 2002.

Figure 6.1 Outbound travel from China, 1995-2011



Source: Compiled by UNWTO, based on CNTA data.

Figure 6.2 Outbound trips from China, 2001-2011 (% change over previous year)



Source: Compiled by UNWTO, based on CNTA data.

Chinese Outbound Travel Set to Exceed UNWTO Growth Forecasts

In the late 1990s, UNWTO forecasted that China's outbound market would be the world's fourth largest by 2020, behind Germany, Japan and the United States of America, reaching 100 million trips abroad that year (*Tourism 2020 Vision*). While the growth forecast has been accurate for many regions, for China it has, to date, been comfortably exceeded. The 100 million trips (including travel to Hong Kong (China) and Macao (China)) should be reached well before 2020. Indeed, in order for the 100 million to be reached by 2020, the Chinese outbound market only needs to grow by 5.7% annually. With a projected 12.8% annual growth, the 100 million mark would be reached by 2015.

In a new forecast in 2011 (*Tourism Towards 2030*) UNWTO forecasts that Asia and the Pacific will generate 358 million tourist arrivals in 2020 and 541 million tourist arrivals in 2030; of these, 69 million in 2020 and 97 million in 2030 will be to other regions.

Table 6.2 World's leading outbound markets, 1995 and 2020 forecast

Market	Base year 1995 (million trips)	Forecast 2020 (million trips)	Average annual growth 1995-2020 (%)	Market share 1995 (%)	Market share 2020 (%)
Germany ^a	75	153	2.9	13.3	9.8
Japan ^a	23	142	7.5	4.1	9.1
United States of America ^a	63	123	2.7	11.1	7.9
China	5	100	12.8	0.9	6.4
United Kingdom ^a	42	95	3.3	7.4	6.1
France	21	55	3.9	3.7	3.5
Netherlands ^a	22	46	3.0	3.8	2.9
Italy ^a	16	35	3.1	2.9	2.3
Canada ^b	19	31	2.0	3.4	2.0
Russian Federation ^b	12	31	4.0	2.1	1.0

a) 1996 base year.

b) Absolute numbers for 1995 estimated based on inbound tourism data from destination countries.

Source: UNWTO.

6.2.2 Expenditure

Chinese tourists spent US\$ 102 billion on their travels abroad in 2012, a nearly five-fold increase from US\$ 22 billion in 2005 and a 40% jump from 2011 when it amounted to US\$ 73 billion. With these figures, China became the largest spender in international tourism globally in 2012 (see table 6.3). In 2005 China ranked seventh in international tourism expenditure, and has in following years successively overtaken Italy, Japan, France and the United Kingdom. With the 2012 surge, China leaped to first place, surpassing both second largest spender United States and top spender Germany (both exceeding US\$ 80 billion in 2012).

Table 6.3 Top ten markets in international tourism expenditure (US\$ billion)

Rank 2012		International Tourism Expenditure (US\$ billion)					Change (%) (US\$, current prices)			Per capita (US\$)
							Over previous year		Average a year	
		2000	2005	2010	2011	2012 ^a	11/10	12 ^a /11	2000- 2012	2012 ^a
1	China	13.1	21.8	54.9	72.6	102.0	32.3	40.5	18.6	75
2	Germany	53.0	74.4	78.1	85.9	83.8	9.9	-2.4	3.9	1,025
3	United States of America	65.4	69.9	75.5	78.7	83.7	4.2	6.4	2.1	266
4	United Kingdom	38.4	59.6	50.0	51.0	..	2.0	..	..	814
5	Russian Federation	8.8	17.3	26.6	32.5	42.6	22.1	31.2	14.0	300
6	France	22.6	31.8	39.0	44.1	38.1	13.0	-13.6	4.4	601
7	Canada	12.4	18.0	29.6	33.3	35.2	12.7	5.7	9.1	1,011
8	Australia	6.4	11.3	22.2	26.7	28.1	20.4	5.4	13.1	1,240
9	Japan	31.9	27.3	27.9	27.2	28.1	-2.4	3.1	-1.1	220
10	Italy	15.7	22.4	27.1	28.7	26.2	5.9	-8.6	4.4	430

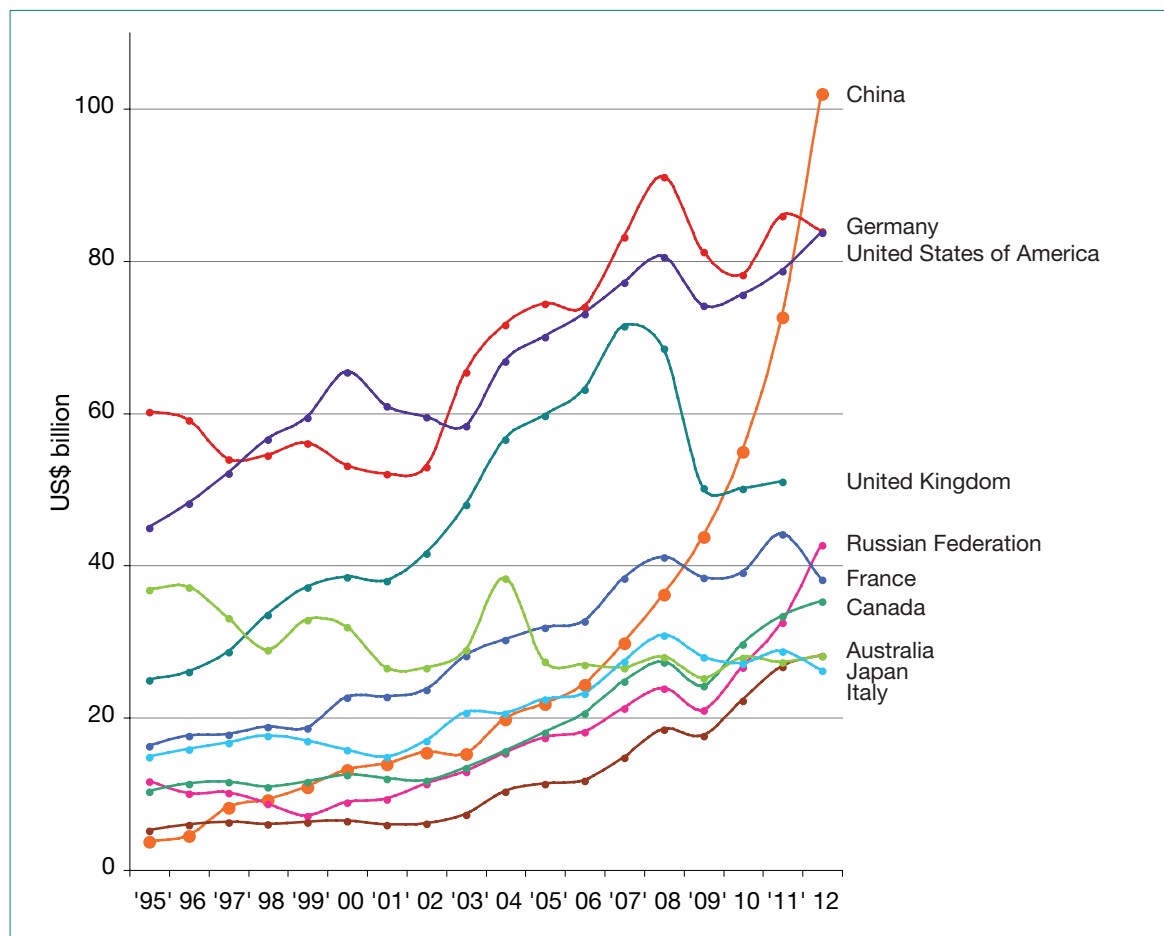
a) Provisional data.

Source: UNWTO, based on national sources.

Figure 6.3 shows the rapid growth in tourism spending by China between 1995 and 2012, moving from 24th in the expenditure ranking (1995) to first (2012). Spending today contrasts with that in 2000 when it was only US\$ 13 billion. Even with weak results in some years, such as during the 2003 SARS epidemic, the average growth since 2000 has been an impressive 19% a year (in current US\$ terms). This growth is parallel to that of Chinese GDP and GDP per capita (both +17% a year) in the same time period. In 2012, the China Tourism Academy (CTA) expects Chinese travellers to increase their expenditure considerably, partly boosted by an appreciating Chinese currency.⁴

Apart from the expenditure by Chinese outbound travellers in the destinations visited, in 2011 another US\$ 6.4 billion was spent on passenger transport contracted from foreign companies. In particular the larger network airlines of Asia, the Middle East, Europe and the Americas serving the Chinese market will have benefitted from this demand.

4 China Travel Trends (2011), Chinese travelers changing the world tourism landscape (Online), available: <http://www.chinatraveltrends.com/2011/06/chinese-travelers-changing-world-tourism-landscape/> (09-06-2011).

Figure 6.3 Evolution of international tourism expenditure by top country spenders, 1995-2012

Source: World Tourism Organization (UNWTO).

6.2.3 Breakdown of Spending

In Chinese Yuan terms, half of all Chinese tourists spent at least CNY 5,000 on their outbound trips in 2010, with the highest concentration in the CNY 5,001-10,000 range (US\$ 740-1,477). Shopping was cited by 27% of outbound tourists as the area of paramount expenditure.⁵

Table 6.4 Per capita spending by Chinese outbound tourists in 2010

Expenditure (CNY)	Tourists (%)
≤ 1,000 (≤ US\$ 148)	7.4
1,001-2,000 (US\$ 148-295)	13.5
2,001-3,000 (US\$ 296-443)	11.2
3,001-5,000 (US\$ 444-739)	16.9
5,001-10,000 (US\$ 740-1,477)	33.9
> 10,000 (> US\$ 1,477)	16.1

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 119.

⁵ China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 74.

Although Chinese tourists spent an average US\$ 1,226 per outbound trip in 2012, this figure is much higher for destinations beyond Asia and the Pacific. A survey of Chinese tourists in 2005 released by the CNTA for example, showed that travellers to various EU states spent about € 3,000 per trip (US\$ 3,734)⁶. Of this, 34% was on shopping, 18% on accommodation, 17% on the air fare, 9% on entertainment, and 3% on travel agency services.⁷ The overall average is quite lower due to shorter stays and lower expenditure in nearby destinations like Hong Kong (China) and Macao (China).

IPK International's World Travel Monitor – which measures total spending related to a trip, including spending in one's own country before a trip – also points to much higher than average spending by Chinese on trips to destinations outside Greater China – i.e. excluding trips to Hong Kong (China) and Macao (China) and Taiwan (province of China). Clearly, spending per trip varies depending on destination.

Another survey by Ctrip, the Chinese internet-based travel agency – which also sells by telephone and in retail outlets in key Chinese cities – indicates spending of over US\$ 4,000 by 5% of Chinese on a trip to Europe. However, the majority of Chinese travellers to Europe spend between US\$ 1,200 and US\$ 4,000. By way of comparison, Ctrip says, the majority of travellers to Australia spend between US\$ 1,200 and US\$ 2,500, and a trip to South-East Asia would cost at most US\$ 400-600.

Chinese travellers on Approved Destination Status (ADS) group tours tend to look for the lowest possible package prices and are reportedly ready to switch from one operator to another to make even modest savings. Yet once these same travellers reach their destinations, they seem to stop worrying about how much they can afford; a breakdown of Ctrip's sales data (excluding air fares) shows that shopping accounts for a much higher share of total spending abroad by Chinese travellers compared to any other market – 30% of the total trip price, excluding air fares: the same percentage as for accommodation.

Indeed, expenditure data from Visa Asia Pacific shows that in the second quarter of 2006, Chinese travellers abroad used their Visas to spend some US\$ 80 million on retail goods alone – 53% more than on accommodation, twice as much as on transport, and 185% more than on restaurants, food and beverages. Chinese tourists' shopping spending has certainly not decreased since then; a Global Refund survey shows that Chinese tourists bought duty free goods for € 650 million in France alone in 2010.

6.2.4 Domestic Travel: Tomorrow's Outbound Travellers

No report on China outbound travel can afford to ignore domestic travel demand. China has the world's largest population and it is estimated that about 70% of its citizens travel within the country at least once a year, with many taking two or more trips. Today's domestic travellers are tomorrow's outbound travellers.

Domestic trip volume has risen by 12% on average every year since 2000, with the number of trips exceeding 2 billion for the first time in 2010 and reaching almost 3 billion in 2011. The ratio of domestic to international trips has been around 36 to 1 in the past years, reflecting the huge potential for continued growth in outbound travel demand. The 12th Five-Year Plan of China National Tourism Administration (CNTA) suggests that domestic travel will grow by around 10% per year over this five year period, reaching 3.3 billion trips by 2015.

Because of the large volume, expenditure on domestic tourism is about 3.5 times that on international tourism. Overall expenditure on domestic tourism amounted to a massive US\$ 360 billion in 2011. Average expenditure per domestic trip, however, is quite lower at US\$ 122, versus US\$ 1,226 for an international trip. These figures indicate that domestic tourism is affordable for average Chinese citizens, but that international tourism is still beyond the reach of many. Domestic spending (in current US\$ terms) grew 21% a year on average in the period 2000-2012. Chinese domestic tourism represents some 3% of GDP and outbound tourism 0.9%.

6 Average exchange rate (2005): € 1 = US\$ 1.2448.

7 ETC (2011), *ETC Market Insights: China*, January 2011 (Online), available: www.etc-corporate.org/resources/uploads/ETCProfile_China-1-2011.pdf, p.5 (16-06-2011).

6.3 Drivers and Sources of Outbound Travel

6.3.1 Main Drivers of Travel Growth

The Chinese government's slackened control of outbound travel has been a major factor driving demand for international travel over the past decades. Concerns that future governments might change their minds and try to reduce currency losses through a clampdown on outbound travel – as has happened in the past in the Republic of Korea – now seem ill-founded as the country increasingly opens up to the outside world, following its joining of the World Trade Organization, a move that boosted trade and increased contact with international partners.

A number of other positive factors have already proliferated both business and leisure travel and augur well for continued growth in demand. As discussed at length in chapter 7, Chinese citizens have increased leisure time, and disposable income is growing. Data from the National Bureau of Statistics shows that household savings in China exceeded CNY 30.3 trillion in 2010. Foreign exchange controls have also been relaxed and more Chinese travel agencies are being allowed to operate outbound tours. Not to be neglected is also the effect of a much stronger Chinese currency on the attractiveness of outbound travel for a growing middle class.

6.3.2 Geographical Sources of Chinese Outbound Travel

Taking holidays is still a relatively recent phenomenon in China and is limited to urban populations with growing disposable income. In the foreseeable future, only a modest share of China's population will be in a financial position to be able to experience the luxury of foreign travel. Detailed statistics on geographical sources are scarce, but it is clear that the main tourism-generating areas in China are the three most economically developed regions of Beijing, Shanghai and Guangdong Province. The number of outbound tourists from Shanghai reached 858,600 in 2009, a 16.4% increase from 2008 (176,000 travelled to Hong Kong or Macao).⁸ The same year, 654,000 Chinese citizens travelled from Beijing⁹, and as many as 32.8 million from Guangdong.¹⁰ It should be noted that the large number of outbound travellers from the latter is due to its proximity to Hong Kong and Macao.

While outbound tourism remains limited to a comparative small segment of the population, the absolute trip volume constitutes a weighty number indeed.

Based on CNTA data from 2006 (and not updated since then), the top ten provinces and municipalities by outbound traveller volume are Guangdong, Beijing, Shanghai, Fujian, Heilongjiang, Inner Mongolia, Liaoning, Shandong, Yunnan and Xinjiang. These contribute more than 90% of total outbound trip volumes. From Heilongjiang and downward, the top ten list is made up of provinces bordering to other countries rather than the more developed coastal provinces. Although there are over 200 ports of exit for travellers from China, most departures are still through the main land borders (close to 80% as of 2006), reflecting the dominance of travel to Hong Kong (China) and Macao (China) and neighbouring countries in the total trip volume.

8 China Tourism Administration (2010), *The Yearbook of China Tourism Statistics 2010*, China Tourism Press, p.167.

9 China Tourism Administration (2010), *The Yearbook of China Tourism Statistics 2010*, China Tourism Press, p.119.

10 China Tourism Administration (2010), *The Yearbook of China Tourism Statistics 2010*, China Tourism Press, p.237.

6.4 Destinations Visited

Information about the destinations around the world visited by Chinese travellers is available from two major data sources: Chinese departures to foreign destinations as reported by the Chinese authorities (section 6.4.1) and Chinese arrivals in destinations, as reported by destination countries around the world (sections 6.4.2 to 6.4.7). Both sources represent the same travel flows but in a different way, and discrepancies can exist. Still, they do provide a very interesting insight in major trends.

6.4.1 Chinese Departures as Reported by China

Table 6.5 shows the destination breakdown of international departures by Chinese citizens over time as reported by the China National Tourism Administration (CNTA). As in the majority of the world's source markets, outbound travel from China heads in the first place to intra-regional destinations. The Special Administrative Regions (SAR) of Hong Kong and Macao alone received over two thirds of the 70 million Chinese outbound departures in 2011. By region, Asia and the Pacific accounted for 91% of trips (64 million), of which 23% (16 million) to destinations other than Hong Kong (China) and Macao (China) with the Republic of Korea, Taiwan (province of China), Malaysia, Japan, Thailand, Vietnam and Singapore all receiving between 2.4 million and over a million of Chinese departures.

Beyond Asia and the Pacific, Europe is the largest destination region Chinese travellers with over 3 million of all trips (4.4%) in 2011. The Americas follows with almost 2 million (2.7%) of Chinese departures, while Africa was the destination of almost 1 million departures (1.4%). The United States is the only destination outside Asia receiving over a million Chinese travellers. In Europe, the neighbouring Russian Federation is the first destination with some 800,000 Chinese travellers in 2011, followed by the United Kingdom, Germany and France with 300,000 to 400,000 each, while the remainder is spread over a large number of smaller destination countries.

If Hong Kong and Macao are excluded from the calculation, Asia would account for 73% of all Chinese travel, Europe 14%, the Americas 8%, and Africa 4%. It should be noted that the destination breakdown provided by CNTA is based on the traveller's first port of call, so it is not necessarily the destination finally visited, nor the only destination visited.

In the period 2000-2011, growth in departures averaged 19% a year, with fastest growth in the first 5 years (2000-2005 24% a year; 2005-2011 15% a year). Departures to intra-regional destinations grew slightly faster than average between 2000 and 2011 (20% a year). The SAR's Hong Kong (China) and Macao (China) saw an increase of respectively 19% and 25% a year in trips from Chinese tourists in the period 2000-2011. Travel to Taiwan has also increased considerably in that period (+32% a year), especially since the opening in 2008 of Taiwan as a destination for mainland visitors. Other fast growers have been the South-East Asian destinations Indonesia (+36% a year since 2000) and Malaysia (+31% a year). This fast growth of the last three countries mentioned have rather been cases of catching up with other destinations, as growth has been from a rather low base of below 100,000 trips in 2000.

Outside Asia, growth has been fastest in departures to Africa at 32% a year on average, but from a modest base. Departures in the more mature regions of Europe (10% a year) and Americas (12% a year) grew below average. As growth has been faster in other regions, in particular in Asia, the share of Europe has noticeably decreased in time and the share of the Americas to a lesser extent. Nevertheless, in absolute terms the growth in volume to both regions is impressive, with arrivals roughly tripling in just over a decade, respectively Europe from 1.1 million in 2000 to 3.1 million in 2011 and the Americas from half a million to 1.9 million.

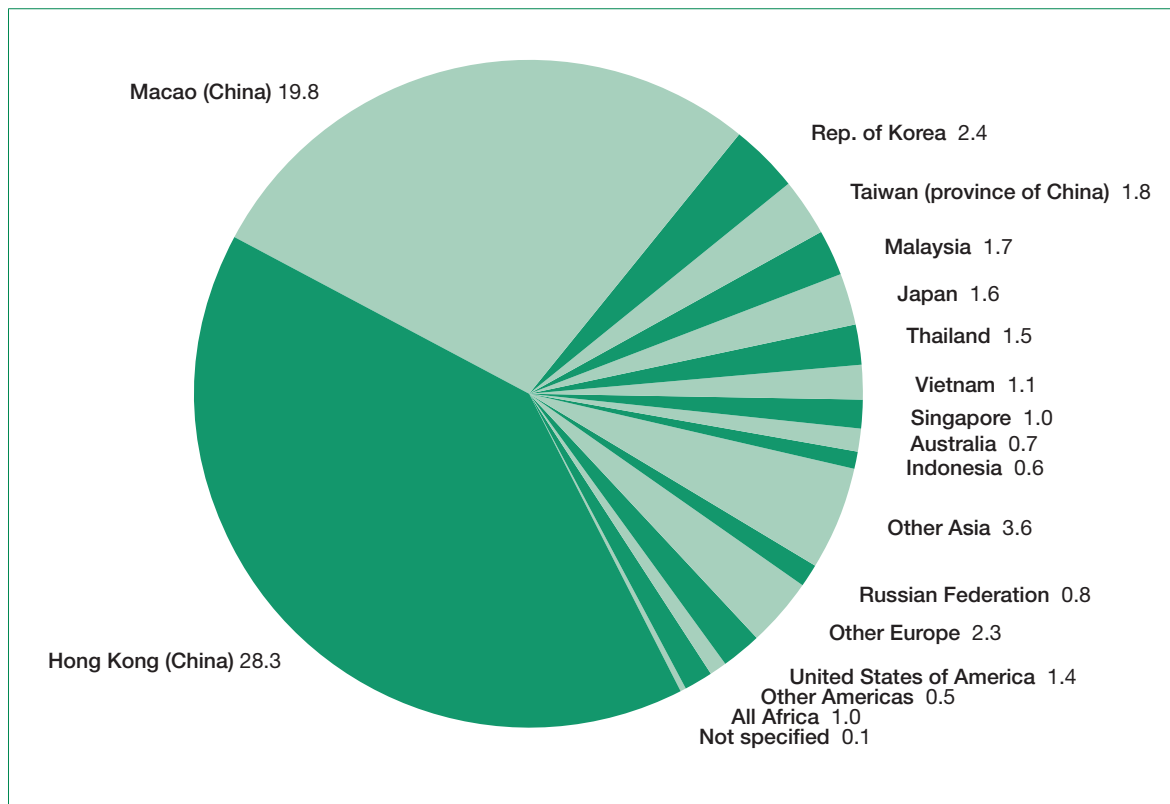
Table 6.5 Outbound tourism, departures from China by destination (by first stop) (x 1000)

	Outbound departures by destination (by first stop)								Change (%)		Average annual growth (%)		
												of which	
	2000	2005	2006	2007	2008	2009	2010	2011	'10/'09	'11/'10		'00-'05	'05-'11
World	10,649	30,863	34,524	40,954	45,844	47,656	57,386	70,250	20.4	22.4	18.7	23.7	14.7
PM: All excl. Hong Kong and Macao	4,863	8,858	10,295	12,047	12,766	13,863	18,175	22,164	31.1	21.9	14.8	12.7	16.5
Asia and the Pacific	8,952	28,065	30,579	36,666	42,068	43,782	52,597	64,191	20.1	22.0	19.6	25.7	14.8
Hong Kong (China)	4,142	13,525	14,334	16,137	17,557	18,666	23,099	28,321	23.7	22.6	19.1	26.7	13.1
Macao (China)	1,644	8,479	9,895	12,770	15,522	15,128	16,112	19,765	6.5	22.7	25.4	38.8	15.1
Republic of Korea	401	843	1,098	1,313	1,374	1,474	1,969	2,368	33.5	20.3	17.5	16.0	18.8
Taiwan (pr. of China)	86	160	208	230	279	986	1,662	1,845	68.6	11.0	32.1	13.2	50.3
Malaysia	87	355	435	573	623	609	1,034	1,738	69.7	68.1	31.3	32.5	30.3
Japan	596	1,117	1,280	1,458	1,557	1,553	1,969	1,628	26.8	-17.3	9.6	13.4	6.5
Thailand	707	596	767	717	624	622	1,015	1,523	63.1	50.1	7.2	-3.4	16.9
Vietnam		845	507	920	1,459	1,343	1,211	1,141	-9.9	-5.7	..	..	5.1
Singapore	263	477	557	648	713	668	826	1,004	23.6	21.6	13.0	12.7	13.2
Australia	127	318	345	398	413	452	545	652	20.6	19.6	16.1	20.2	12.7
Indonesia	20	86	111	170	248	329	469	579	42.6	23.4	35.8	34.0	37.3
Mongolia	63	183	119	147	150	149	226	326	52.3	43.7	16.1	23.7	10.1
Myanmar								319	..	..	..	..	..
Philippines	34	119	138	160	163	170	215	271	26.8	26.0	20.9	28.8	14.7
Korea, D P Rp	195	241	125	102	93	96	131	194	36.4	47.9	-0.1	4.3	-3.5
Lao P.D.R.								173	..	..	..	..	..
New Zealand	18	58	59	68	73	78	89	108	14.1	21.2	17.5	25.8	11.0
Other Oceania	5	34	42	30	22	132	468	137	253.4	-70.6	34.9	46.0	26.3
Other Asia	564	630	559	825	1,199	1,328	1,557	2,100	17.2	34.9	12.7	2.3	22.2
Europe	1,123	1,744	2,026	2,212	2,264	2,209	2,470	3,091	11.8	25.1	9.6	9.2	10.0
Russian Federation	606	607	719	737	790	684	711	810	3.9	13.9	2.7	0.0	4.9
United Kingdom	61	184	219	237	234	257	312	376	21.6	20.4	18.0	24.7	12.7
Germany	113	230	258	272	253	236	287	334	21.7	16.4	10.4	15.3	6.4
France	96	202	206	214	202	228	273	321	19.8	17.5	11.6	15.9	8.1
Kazakhstan	44	97	128	173	196	173	135	159	-21.7	17.1	12.3	17.1	8.5
Other Europe	203	424	495	578	590	631	751	1,092	19.1	45.3	16.5	15.9	17.1
Americas	523	799	932	1,022	1,088	1,162	1,492	1,865	28.5	24.9	12.2	8.8	15.2
United States of America	395	532	638	714	775	824	1,078	1,360	30.7	26.2	11.9	6.1	16.9
Canada	100	207	224	229	230	245	306	370	25.0	20.9	12.6	15.6	10.1
Other Americas	28	60	70	79	83	93	109	134	17.6	23.4	15.4	16.5	14.5
All Africa	48	144	194	264	322	382	728	981	90.9	34.7	31.7	24.8	37.7
Other World/ Not specified	4	111	793	789	103	123	99	122	-19.3	23.2	37.7	98.3	1.5

Note: These are the official figures for Chinese 'citizen departures', issued by the China National Tourism Administration and broken down by first port of call.

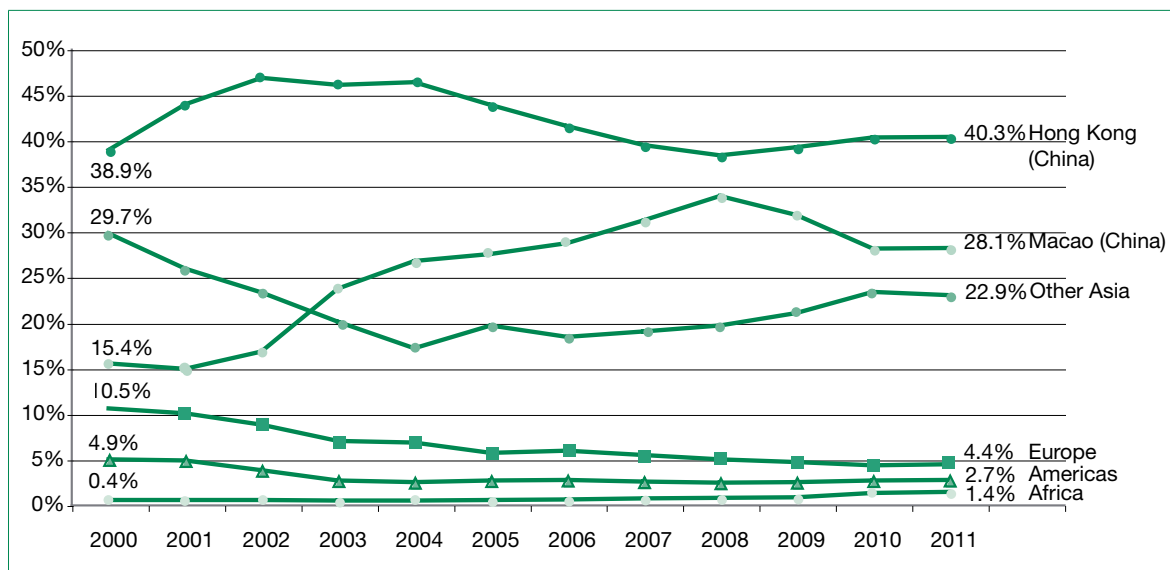
Source: UNWTO, based on China National Tourism Administration (CNTA).

Figure 6.4 Breakdown of main destination visited by Chinese – number of trips abroad (including Hong Kong (China), Macao (China) and Taiwan (province of China), 2011 (million)



Source: UNWTO, based on China National Tourism Administration (CNTA).

Figure 6.5 Share of world regions in Chinese outbound travel (including Hong Kong (China) and Macao (China))



Source: UNWTO, based on national sources.

6.4.2 Chinese Arrivals as reported by Destinations around the World

Tables 6.6 to 6.10 show the major destinations visited by Chinese travellers, measured by their arrivals as reported by the various destinations. Compared to the departures as reported by China, it is important to understand that a single departure can result in arrivals in more than one destination country. Furthermore, as destinations report according to different concepts and methodology, a number of limitations have to be taken into account, most importantly:

- whether arrivals are measured at frontier or at accommodation establishments (the latter exclude arrivals staying in other types of accommodation, for instance with friends and relatives, while will include double-counting if more than one establishment is used in the country visited);
- whether available data relates to overnight visitors (tourists) only, as in some cases same-day visitors are included as well (in nearby destinations the difference can be substantial, but is generally limited in faraway ones);
- whether arrivals are measured by nationality rather than residence (with the first including nationals residing outside of the source country, but excluding non-nationals residing in the source country);
- not all countries do report a breakdown, or do specify China in their breakdown (but report for instance 'all Asia');
- in the specific case of arrivals from China, for some countries data includes arrivals from Hong Kong, Macao and/or Taiwan as well.

Because of these differences, data as reported to specific destinations can be compared over time, but caution is needed when comparing between destinations and data cannot be aggregated (i.e. arrivals to a specific region or the world).

6.4.3 Chinese Arrivals as reported by Hong Kong and Macao

As mentioned before, the Special Administrative Regions (SAR) of Hong Kong and Macao are the favourite destinations for Chinese outbound travellers with respectively 13.6 million (at frontier) and 4.7 million (in hotels) arrivals in 2011. Both destinations continued to report solid double-digit growth in past years. One reason for the rapid growth is the Chinese government's expansion of the 'Individual Visit Scheme' for the two SARs in the last years, allowing a growing number of mainland tourists to Hong Kong and Macao. This scheme currently covers Beijing, Shanghai, Tianjin, Chongqing, the entire Guangdong Province and a growing number of cities in Fujian, Jiangsu and Zhejiang Provinces.

According to data compiled by the Hong Kong Tourism Board (HKTb), these individual tourists travel for a variety of purposes. 56% of them go to Hong Kong to relax, 20% for visiting friends or relatives, 18% for business purposes, and 6% for transfer and others.¹¹ In fact, the Chinese are Hong Kong's highest-spending visitors, spending HK\$ 8,220 per overnight trip in 2011, compared to their European counterparts who spent an average HK\$ 6,949 per trip (2011: HK\$ 1 = US\$ 0.1285 = € 0.0923).¹²

Although a significant share of Chinese visitors to Hong Kong and Macao are same-day travellers – often called 'border-hoppers' – Chinese tourists (overnight visitors) represent 43% of all of Hong Kong's arrivals and 51% of Macao's, showing just how heavily the two SARs depend on the mainland market.¹³

11 China Tourism Administration (2010), *The Yearbook of China Tourism Statistics 2010*, China Tourism Press, p.333.

12 Hong Kong Tourism Board, *A Statistical Review of Hong Kong Tourism 2011*, available at: https://securepartnernet.hktb.com/en/research_statistics/research_publications/index.html?id=3632.

13 China Tourism Administration (2010), *The Yearbook of China Tourism Statistics 2010*, China Tourism Press, p.333.

Table 6.6 Arrivals from China as reported by destination countries in Asia and the Pacific (x 1000)

Destination	Series ^a	2000	2005	2006	2007	2008	2009	2010	2011	Change (%)		Average annual growth (%) ^b
										'10/'09	'11/'10	
Hong Kong (China)	TFr	2,707.2	8,029.7	8,434.3	9,092.7	9,379.7	9,663.6	11,678.1	13,599.8	20.8	16.5	9.2
Macao (China)	THSr	1,038.1	2,369.7	2,627.5	2,806.7	3,057.1	3,282.4	4,012.2	4,703.7	22.2	17.2	12.1
Republic of Korea	VFn	442.8	709.8	897.0	1,068.9	1,167.9	1,342.3	1,875.2	2,220.2	39.7	18.4	20.9
Taiwan (pr. of China)	VFr					329.2	972.1	1,630.7	1,784.2	67.7	9.4	..
Thailand	TFn	753.8	776.8	949.1	907.1	826.7	777.5	1,122.2	1,721.2	44.3	53.4	14.2
Singapore	VFr	434.3	857.8	1,037.2	1,114.0	1,078.7	936.7	1,171.5	1,577.5	25.1	34.7	10.7
Vietnam	VFr	626.5	717.4	516.3	574.6	643.3	518.9	905.4	1,416.8	74.5	56.5	12.0
Malaysia	TFr	425.2	352.1	439.3	689.3	943.8	1,015.6	1,130.3	1,250.5	11.3	10.6	23.5
Japan	VFn	351.8	652.8	811.7	942.4	1,000.4	1,006.1	1,412.9	1,043.2	40.4	-26.2	8.1
Indonesia	TFr	29.4	112.2	147.2	230.5	337.1	395.0	469.4	574.2	18.8	22.3	31.3
Australia	VFr	120.3	285.0	308.5	357.6	356.4	366.4	453.7	542.0	23.8	19.5	11.3
Mongolia	TFn	49.3	170.3	178.9	211.0	196.8	181.5	194.3	347.0	7.1	78.6	12.6
Cambodia	TFr		59.2	80.5	118.4	129.6	128.2	177.6	247.2	38.6	39.2	26.9
Philippines	TFr	14.7	107.5	133.6	157.6	163.7	155.0	187.4	243.1	20.9	29.7	14.6
Maldives	TFn	5.4	11.6	26.4	25.8	41.5	60.7	119.0	198.7	96.1	67.0	60.5
Lao P.D.R.	VFn	28.2	39.2	50.3	25.8	105.9	128.2	161.9	150.8	26.2	-6.8	25.2
New Zealand	VFr	33.5	87.9	105.7	120.8	112.4	102.3	122.7	145.5	20.0	18.6	8.8
India	TFn	14.4	44.9	62.3	88.1	98.1	100.2	119.5	142.2	19.3	19.0	21.2
Myanmar	TFn	14.3	19.6	24.9	25.8	30.8	36.3	46.1	62.0	27.0	34.4	21.2
Northern Mariana Islands	VFn	1.7	32.9	38.0	25.8	26.4	29.5	41.6	54.2	41.0	30.2	8.7
Nepal	TFr	6.6	170.3	16.8	27.3	35.2	32.3	46.4	61.9	43.7	33.6	-15.5
Pakistan	TFn	6.2	29.6	37.1	25.8	30.1	30.0	46.2	..	54.0	..	9.3
Brunei Darussalam	TFn				25.8	27.7	15.8	24.6	32.9	55.6	33.7	..
Fiji	TFr						4.1	18.1	24.4	344.0	34.4	..
Iran	VFn		59.2						22.7	..	..	-14.7
Sri Lanka	TFr	2.2	9.7	16.3	25.8	9.8	8.6	10.4	16.3	22.0	56.4	9.1

a) Arrivals in the above destination countries were provided by local sources based on different measurements (TFr, VFr, etc). Data is only comparable across time for each destination, caution should be exercised when comparing data between destinations.

Abbreviations of data series: VF = Arrivals of visitors (including same-day visitors) at national frontiers;

TF = Arrivals of overnight visitors (tourists) at national frontiers;

THS = Arrivals of visitors in hotels and similar establishments;

TCE = Arriv.

b) Average Annual Growth between 2005 and 2011 (or 2010 if 2011 figure is not yet available).

Source: UNWTO, based on national sources.

6.4.4 Chinese Arrivals as reported by Other Destinations in Asia and the Pacific

After Hong Kong and Macao, the most important destinations for Chinese outbound travellers in Asia and the Pacific are the Republic of Korea (2.2 million in 2011), Taiwan (province of China, 1.8 million), Thailand (1.7 million), Singapore (1.6 million), Vietnam (1.4 million), Malaysia (1.3 million) and Japan (1.0 million).

Taiwan, in particular, has seen considerable growth, with the number of Chinese arrivals increasing almost six-fold from 329,000 in 2008 to some 1.8 million in 2011. This rapid growth was initiated after 2008, when Taiwan was given Approved Destination Status (ADS). In July of that year China and Taiwan agreed to open direct flights between the two destinations. However, Chinese arrivals were restricted to 3,000 a day, and to group travel. In June 2011, the ban on independent travel from China to Taiwan was lifted for residents of Beijing, Shanghai and Xiamen, whilst a number of other cities (Chengdu, Chongqing, Guangzhou, Hangzhou, Nanjing and Tianjin) have so far been added to this list in 2012, with more expected by the end of the year.

Some Asian countries, including Thailand, Malaysia, and Indonesia, grant visas upon arrival at the destination and several more have made it easier for individual travellers to enter. The mix in terms of purpose of trip clearly varies for each destination; with Thailand, for example, attracting a large majority of leisure tourists, while Japan and the Republic of Korea are important business destinations. With regards to smaller destinations in Asia and the Pacific, the Maldives has been the star performer, with an annual average growth rate of 61% between 2005 and 2011.

Australia: A maturing destination

Australia was the first non-Asian country to be granted Approved Destination Status by China in 1999. Offering southern hemisphere seasons, as well as a temperate climate for Spring Festival/Chinese New Year vacationers, it is the best example of a maturing destination in Chinese leisure travel. Over the past six years, Chinese arrivals have more than doubled in Australia, reaching 542,000 in 2011. The Australian Tourism Forecasting Council has projected an annual growth in arrivals from China of nearly 13% until 2016.

Since 1999, far fewer Chinese have absconded during trips to Australia than to Europe. As a result, the Chinese Government has eased the rules governing ADS travel to Australia, so that tour groups are now only obliged to have a minimum two participants, and they can come from almost anywhere in China. Despite this limitation, Australia's International Visitor Survey shows that the average length of stay for visitors from China was 55 nights compared to the national average of 34 nights (the average is high because of the large number of immigrants without permanent residence), and because China is its second largest market in terms of overnight stays. Visitors from China spent an average of US\$ 7,886 per trip, totalling US\$ 2.8 billion in 2009. Tourism Australia deserves credit for these figures, and is considered a 'best practice' case study on successful management of ADS group tour business.

Extension of ADS

In August 2006, ADS for Australia was extended to include the whole of China. ADS allows all Chinese nationals to travel to Australia on private passports for leisure tourism purposes. While ADS arrivals currently make up a large proportion of holiday travel to Australia, there are also government and business tours as well as incentive and study groups that travel on non-ADS visas on largely leisure-focused itineraries.

Travellers to Australia tend to be more experienced outbound travellers than those to South-East Asia, with higher socio-economic levels and greater social disposable incomes.

6.4.5 Chinese Arrivals as reported by Destinations in Europe

Some 12 countries in Europe report more than 100,000 Chinese arrivals a year. As shown in table 6.7, the five favourite European destinations for Chinese travellers are the Russian Federation (846,000 arrivals at frontier in 2011), France (729,000 in hotels), Germany (637,000 in accommodation), Switzerland (453,000 in accommodation) and Spain (300,000 in accommodation). Austria, Italy, the Netherlands, United Kingdom, Kazakhstan, Czech Republic and Belgium follow with between 100,000 and 250,000 arrivals. Chinese arrivals in most European destinations at least doubled since 2005. The Czech Republic has recorded unrivalled growth since 2005 (+35% a year), from a low base of 17,900 to 109,000 in 2011. Other destinations that saw the number of Chinese arrivals more than triple during this period include Switzerland, Hungary, Croatia, Latvia, Slovakia, Slovenia, Armenia, Georgia, Estonia and Lithuania. Arrival figures as reported by destination countries need to be interpreted with care, since a single tourist may have arrived in various destinations as part of the same journey. (This is especially the case in Europe, where interregional tourists tend to visit more than one country in a single trip). With these numbers it should also be noted that most countries in Europe include in their reporting arrivals not only from mainland China, but also from Hong Kong (China), Macao (China) and/or Taiwan (province of China).

While the Russian Federation is considered the most important European destination, it remains essentially a short-haul destination as most traffic is comprised of cross-border, trade-related movement. The same basically applies to Kazakhstan.

Most Chinese travel to France was composed of high-income business travellers, a majority of whom were paid by the companies dispatching them. INSEE data shows that most Chinese travellers visit France during the Golden Weeks, specifically around the National Day and Spring Festival dates. They tend to spend € 1,000-2,000, including € 430 for the classic tour route of Paris – the rest of their budget is mainly spent on shopping.¹⁴

Germany benefits from having the highest number of direct flights from China, which often makes it a first stop for Chinese tourists on a multi-destination tour of Europe. It is also an important business destination for the Chinese.

Like other countries that are not signatories of the Schengen Agreement, the United Kingdom is at a disadvantage when it comes to attracting Chinese leisure tour groups. Such tourists prefer to visit two or more destinations in one trip. Furthermore, it is cheaper and easier if they ensure that all these destinations are part of the Schengen Area, as an additional visa is required for the United Kingdom or other non-Schengen countries. Nevertheless, the United Kingdom is seen as a desirable destination for both study and business purposes by Chinese travellers.

Switzerland saw the inflow of Chinese tourists increase substantially since 2009, the main reason being the country's December 2008 entry into the Schengen Area. As such, Chinese tourists do not need to apply for a separate visa in order to visit Switzerland. It has also become easier for travellers from the major Chinese cities to secure visa for individual travel to many destinations in Europe.

14 China1001 (2011), Holiday need and new behaviours of Chinese tourists (Online), available: www.china001.com/show_hdr.php?xname=PPDDMV0&dname=M3IN341&xpos=20 (13-06-2011).

Table 6.7 Arrivals from China in Europe as reported by destination countries (× 1000)

Destination	Series ^a	2000	2005	2006	2007	2008	2009	2010	2011	Change (%)		Average annual growth (%) ^b
										'10/'09	'11/'10	
Russian Federation	VFn	493.8	798.7	765.3	765.1	815.5	718.6	747.6	845.6	4.0	13.1	1.0
France	THSr		357.8	573.9	531.3	416.9	395.5	567.7	729.6	43.5	28.5	12.6
Germany	TCEr	214.7	418.2	441.5	462.3	421.5	384.6	510.6	636.6	32.8	24.7	7.3
Switzerland	THSr	44.8	110.0	132.6	145.9	129.2	187.1	286.4	453.3	53.1	58.3	26.6
Spain	TCEr		105.3	109.3	145.4	152.5	159.5	218.8	300.0	37.2	37.1	19.1
Austria	TCEr		176.8	176.7	171.1	156.2	155.2	182.3	243.0	17.5	33.3	5.4
Italy	TFN	109.2	95.5	117.4	160.1	158.2	138.2	136.8	209.7	-1.0	53.3	14.0
Netherlands	THSr		96.3	95.3	108.1	112.8	122.5	124.3	155.7	1.5	25.3	8.3
United Kingdom	VFr	41.4	95.0	107.3	143.4	107.9	89.2	109.5	148.5	22.8	35.6	7.7
Kazakhstan	VFr	42.7	85.7	117.3	171.8	172.1	169.9	133.9	..	-21.2	..	9.3
Czech Republic	TCEn		17.8	29.7	38.4	53.1	61.8	79.2	108.8	28.1	37.4	35.2
Belgium	TCEr	55.4	108.7	107.4	98.2	75.0	75.2	79.9	100.2	6.2	25.4	-1.3
Turkey	TFn	21.5	41.8	53.2	63.9	61.9	69.3	77.1	96.7	11.3	25.4	15.0
Sweden	TCEr		34.6	50.0	56.8	49.0	47.0	55.5	73.3	18.2	32.0	13.4
Greece	TCEr		26.7	40.5	51.3	49.9	48.1	59.3	..	23.4	..	17.3
Hungary	TCEr		16.5	22.1	27.4	32.5	38.6	44.9	57.6	16.2	28.4	23.2
Finland	TCEr	14.1	37.4	49.4	53.3	39.9	32.6	39.2	50.3	20.3	28.2	5.0
Portugal	TCEr	8.3	17.0	22.1	23.5	23.2	21.9	29.4	37.6	34.2	27.7	14.2
Poland	TCEr	3.0	13.4	15.1	16.5	20.2	20.0	26.6	33.2	32.7	24.8	16.3
Denmark	TCEr		19.3	21.1	17.0	18.6	18.2	23.7	28.4	30.5	19.6	6.7
Luxembourg	TCEr		108.7	14.5	15.9	12.9	14.8	17.2	27.0	16.3	57.0	-20.7
Kyrgyzstan	TFr	1.1	15.7	18.7	20.2	21.9	21.9	18.2	25.1	-17.0	37.9	8.1
Croatia	TCEr				6.4	6.3	7.5	13.2	22.5	75.1	70.2	..
Ukraine	TFr	5.2	12.8	15.5	17.2	16.6	16.1	16.8	19.1	4.1	13.5	6.9
Israel	TFr	9.8	41.8	10.8	7.6	8.9	7.6	12.9	16.8	70.3	30.4	-14.1
Latvia	VFr	0.4	0.7	1.6	2.7	6.0	5.0	13.1	13.5	160.4	2.8	64.3
San Marino	VFn		37.6	25.8	17.4	9.7	9.0	10.2	12.2	12.7	19.8	-17.1
Slovakia	TCEn	0.5	1.4	2.2	4.3	7.7	6.5	8.3	11.9	27.5	42.2	42.0
Slovenia	TCEn		1.8	2.6	3.5	4.9	5.6	8.2	11.1	46.0	34.2	35.9
Armenia	TFr	0.2	1.7	3.0	7.8	8.1	8.4	8.5	9.7	0.6	14.9	33.9
Romania	TCEr	3.7	5.4	4.8	6.2	7.6	6.9	5.9	9.1	-14.4	52.3	9.2
Iceland	TCEn		5.8	7.7	8.5	5.4	6.5	4.9	7.8	-23.5	58.6	5.0
Bulgaria	VFr	3.9	4.1	4.6	5.1	6.2	6.2	6.4	6.6	4.4	3.1	8.3
Georgia	VFr	1.0	0.7	2.1	1.7	1.8	2.0	2.7	6.5	35.4	139.3	43.5
Estonia	TCEr		0.8	1.2	1.0	1.9	2.1	2.8	5.5	37.2	96.6	38.0
Lithuania	TCEr		1.0	1.2	1.0	1.9	2.5	3.3	5.5	31.6	66.9	33.3

a) Arrivals in the above destination countries were provided by local sources based on different measurements (TFr, VFr, etc). Data is only comparable across time for each destination, caution should be exercised when comparing data between destinations.

For abbreviations of data series: see table 6.6.

b) Average Annual Growth between 2005 and 2011 (or 2010 if 2011 figure is not yet available).

Source: UNWTO, based on national sources.

Overnight data

Most European countries report data on nights in accommodation (unlike many destinations in other regions), so it is interesting to contrast the data on arrival volume with the number of nights spent by Chinese visitors. Europe's four largest economies, Italy (2.1 million nights), the United Kingdom (1.5 million), France (1.4 million) and Germany (1.3 million) top the list in 2011. Switzerland, Spain, Austria, the Netherlands and Turkey follow, each reporting between 600,000 and 200,000 nights. The Czech Republic, Belgium, Sweden, Hungary and Greece report between 200,000 and 100,000 nights each. The quite more pronounced difference between the larger and smaller destination countries in nights than in arrivals clearly points at shorter lengths of stay in the latter ones.

First-time travellers to Europe tend to choose multi-destination tours, but the trend is towards fewer destinations per trip. Tours to the Nordic countries, for example, usually offer to visit four countries over six nights and eight days. The same pattern can be found in continental Europe, where the average lengths of stay are 2.1 nights in Germany, 2.0 in France, 1.8 in the Czech Republic, 1.6 in Italy, Belgium and The Netherlands, and 1.5 in Switzerland. Among repeat travellers, there is also a trend towards 'deep tours' that cover just one or two countries – Italy is a prominent destination for such trips.

The United Kingdom is a notable exception from the tendency for short stays; the average length of stay was 21 nights in 2008 and 13 nights in 2009. This divergence from other European destinations is due to the large number of study, business and VFR visitors, as well as the fact that the United Kingdom is not a member of the Schengen area and therefore not a candidate destination for multi-destination tours on a single visa. In 2007, only 26% of Chinese visitors to the United Kingdom travelled to another country on the same trip.

Table 6.8 Nights spent in accommodation by visitors from China as reported by destination countries in Europe (x 1000)

Destination	Series ^a	2000	2005	2006	2007	2008	2009	2010	2011	Change (%)		Average annual growth (%) ^b
										'10/'09	'11/'10	
Italy	NCEr	633	1,219	1,325	1,315	1,221	1,254	1,564	2,089	24.7	33.6	9.4
United Kingdom	NCEr	..	719	560	698	630	457	956	1,460	109.2	52.8	12.5
France	NCEr	..	662	1,105	1,040	829	788	1,137	1,427	44.3	25.5	13.7
Germany	NCEr	469	853	925	951	943	820	1,092	1,323	33.2	21.1	7.6
Switzerland	NHSr	83	172	205	230	214	272	404	595	48.8	47.3	23.0
Spain	NCEr	..	210	218	275	292	303	419	557	38.2	32.9	17.7
Austria	NCEr	..	249	253	245	236	222	267	370	20.4	38.2	6.8
Netherlands	NHSr	..	150	150	179	175	201	203	253	1.1	24.9	9.1
Turkey	NCEn	11	76	105	130	127	95	135	218	42.2	61.6	19.2
Czech Republic	NCEr	..	39	65	77	102	111	137	187	23.1	37.0	30.0
Belgium	NCEr	77	142	147	141	115	118	122	150	3.8	22.5	1.0
Sweden	NCEr	..	70	99	114	101	98	111	147	13.5	32.0	13.1
Hungary	NCEr	..	35	48	55	63	71	80	114	11.9	42.7	21.8
Greece	NCEr	..	53	81	105	99	93	109	..	17.1	..	15.4
Finland	NCEr	39	73	94	94	87	68	78	92	14.8	18.8	4.0

Destination	Series ^a	2000	2005	2006	2007	2008	2009	2010	2011	Change (%)		Average annual growth (%) ^b
										'10/'09	'11/'10	
Norway	NCEr	..	55	69	71	46	52	68	92	31.5	34.6	8.7
Denmark	NCEr	..	58	63	51	55	54	71	85	30.6	20.2	6.7
Portugal	NCEr	18	36	46	27	50	48	60	76	26.7	25.1	13.2
Poland	NCEr	7	30	35	38	58	39	58	67	47.7	14.4	14.2
Ireland	NCEr	..	..	..	..	36	..	..	..	..	..	..
Luxembourg	NCEr	..	13.4	19.6	21.8	20.5	21.5	20.5	36.3	-4.5	76.9	18.1
Croatia	NCEr	..	..	..	15.3	11.8	15.5	23.1	34.6	49.5	49.4	..
Slovenia	NCEn	..	3.9	4.9	8.5	10.2	11.3	15.5	21.8	37.4	40.8	33.4
Romania	NCEr	9.3	10.4	10.3	18.6	46.8	21.2	18.1	21.4	-14.9	18.2	12.8
Slovakia	NCEr	1.8	3.8	4.4	7.6	12.1	10.4	16.8	19.5	61.3	15.9	31.5
Malta	NCEr	..	..	6.4	8.3	..	..	18.2	..	..	..	..
Iceland	NCEn	..	11.5	14.6	16.8	10.1	11.1	9.5	13.7	-15.0	45.2	3.0
Bulgaria	NHSr	..	..	..	..	6.7	7.7	8.2	13.6	6.3	65.5	..
Monaco	NHSn	5.4	4.9	5.5	7.0	5.8	4.1	6.4	9.5	54.5	49.1	11.7
Estonia	NCEr	..	1.5	4.5	3.8	4.3	4.3	5.1	9.4	18.5	86.5	36.2
Lithuania	NCEr	..	2.2	2.8	3.0	6.0	9.9	5.4	8.9	-45.9	66.7	26.5
Azerbaijan	NHSr	..	1.1	177.8	32.7	5.7	8.4	10.2	6.7	21.1	-34.4	34.6
Latvia	NCEr	1.2	0.8	1.3	1.2	2.2	3.2	3.8	5.5	17.7	45.1	38.2
Cyprus	NCEr	..	3.2	2.6	2.9	4.4	4.8	5.5	5.3	15.1	-4.1	8.4

a) Nights in the above destination countries were provided by local sources based on different measurements (TCEr, THSr, etc). Data is only comparable across time for each destination, caution should be exercised when comparing data between destinations.

Abbreviations of data series: NCE = Nights of visitors in all types of commercial accommodation;

NHS = Nights of visitors in hotels and similar establishments;

n = by nationality;

r = by country of residence.

b) Average Annual Growth between 2005 and 2011 (or 2010 if 2011 figure is not yet available).

Source: UNWTO, based on national sources.

6.4.6 Chinese Arrivals as reported by Destinations in the Americas

The United States of America continues to be the largest recipient of Chinese tourists in the Americas (and outside Asia), with arrivals exceeding the 1 million mark in 2011. Between 2009 and 2011 the United States has rapidly become one of the most desirable destinations for Chinese tourists, and arrivals have more than doubled in the past two years.

Until recently, most Chinese travel to the United States was composed mainly of students or business/technical travellers – i.e. either paid for by the traveller's company or the Chinese Government, or sponsored by a foreign partner/associate. Most trips usually involve some kind of leisure content, but group tours have only been allowed since late 2007, when the United States and Chinese governments signed an ADS agreement after many years of negotiation.

Canada, the second largest destination for Chinese travellers in the Americas, has also felt the positive effects of signing the ADS agreement with China as late as June 2010, recording a 25% year on year surge in Chinese arrivals to 244,000 in 2011. The fact that many Chinese travellers will visit both the United States and Canada in the same trip explains the strong growth correlation between Chinese arrivals to both destinations in recent years.

Following the United States and Canada, the major destinations for Chinese travellers in the Americas are Brazil (56,000 arrivals in 2011), Mexico (37,000) and Cuba (15,000). In terms of growth, Brazil has seen the number of Chinese arrivals almost triple from less than 20,000 in 2005 to 56,000 in 2011. The South American destinations Peru, Chile, Ecuador and Venezuela, are reporting relatively modest numbers of Chinese arrivals ranging between 12,000 and 6,000 in 2011.

Table 6.9 Arrivals from China as reported by destination countries in the Americas (x 1000)

Destination	Series ^a	2000	2005	2006	2007	2008	2009	2010	2011	Change (%)		Average annual growth (%) ^b
										'10/'09	'11/'10	
United States	TFr	249.4	270.3	320.5	397.4	493.0	524.8	801.7	1,089.4	52.8	35.9	26.2
Canada	TFr	73.5	117.5	144.6	152.2	159.9	160.8	195.0	243.7	21.2	25.0	12.9
Brazil	TFr	17.9	18.0	31.2	23.5	39.5	28.2	37.8	56.0	34.1	47.9	20.8
Mexico	VFn		10.6	12.0	17.5	19.9	17.2	28.4	36.9	64.9	29.9	23.2
Cuba	VFr	4.9	8.7	9.3	10.9	11.3	12.4	11.2	14.7	-8.9	31.1	9.2
Peru	TFr	3.9	5.3	7.9	7.5	8.0	9.3	9.5	11.9	2.5	25.4	14.4
Chile	TFn	2.3	6.4	7.7	8.5	6.7	6.5	7.0	10.5	8.1	50.8	8.7
Ecuador	VFn		3.2	3.6	4.9	14.3	7.8	6.9	9.3	-12.3	35.1	19.3
Venezuela	TFn	0.5	8.4	8.5	8.7	8.7	7.4	6.0	6.3	-18.8	4.8	-4.6
Colombia	VFn	1.8	1.3	2.4	7.3	3.3	4.3	4.9	6.1	14.3	24.1	28.6
Costa Rica	TFn	5.5	1.2	1.5	2.2	3	3.3	3.6	4.5	7.3	26.1	24.7
Honduras	TFn	1.1	1.3	2.3	1.1	1.5	1.8	2.5	2.9	38.7	12.8	13.6

a) Arrivals in the above destination countries were provided by local sources based on different measurements (TFr, VFr, etc). Data is only comparable across time for each destination, caution should be exercised when comparing data between destinations.

For abbreviations of data series: see table 6.6.

b) Average Annual Growth between 2005 and 2011.

Source: UNWTO, based on national sources.

6.4.7 Chinese Arrivals as reported by Destinations in Africa and the Middle East

Of the over 60 destinations in Africa and the Middle East, comparatively few report Chinese arrivals, so only a rather incomplete picture can be painted. Of those reporting, Nigeria has become the most visited by Chinese travellers in 2011 with 241,000 arrivals. The United Arab Emirate of Dubai is the second most popular destinations with 194,000 arrivals in 2011, followed by South Africa and Angola. Egypt was still the second most visited destination in 2010 with 106,000 arrivals, but trips declined by more than half in 2011 to 49,000 due to the political developments. The remaining countries report fairly modest numbers of arrivals. For more comprehensive information on Chinese travel to Africa see the UNWTO publication *Study on Chinese Outbound Travel to Africa* (UNWTO 2010).

Table 6.10 Arrivals from China in Africa and the Middle East as reported by destination countries (× 1000)

Destination	Series ^a	2000	2005	2006	2007	2008	2009	2010	2011	Change (%)		AAG (%) ^b
										'10/'09	'11/'10	
Nigeria	VFn	16.6	33.3	38.3	65.7	73.0	75.9	76.1	241.3	0.3	216.9	39.1
United Arab Emirates (only Dubai)	TCEn		47.5	68.5	92.3	96.3	107.5	152.1	193.8	41.5	27.4	26.4
South Africa	TFr	30.5	44.2	42.0	47.4	40.3	34.6	65.9	84.9	90.7	28.7	11.5
Angola	TFr	0.5	5.8	9.6	18.5	43.0	51.9	60.6	69.9	16.7	15.4	51.2
Egypt	VFn	13.8	35.3	51.4	80.4	67.7	80.9	106.2	48.6	31.3	-54.2	5.5
Saudi Arabia	TFn	9.8	22.8	30.7	23.0	55.4	18.3	20.4	24.4	11.6	19.6	1.1
Ethiopia	TFr	1.5	7.6	..	12.3	13.8	19.0	22.7	20.2	19.8	-11.1	17.6
Algeria	VFn	..	..	..	..	..	..	..	20.2	..	..	..
Zambia	TFr	..	..	..	..	..	..	18.3	..	..	..	..
Mauritius	TFr	2.5	5.5	4.9	7.7	8.4	6.9	7.6	15.1	9.9	98.9	18.3
Kuwait	VFn	3.4	5.9	7.5	7.6	9.5	8.2	10.9	14.2	33.1	30.1	15.7
Bahrain	VFn	2.4	8.7	10.1	13.2	..	..	..	..	..	..	..
Jordan	TFn	2.5	5.1	5.4	11.2	13.0	12.6	13.9	12.1	10.2	-12.7	15.5
Tunisia	TFn	..	1.9	2.1	2.8	2.7	3.5	4.6	11.9	31.4	157.4	36.0
Tanzania	VFr	5.7	4.3	4.8	6.4	9.0	7.9	11.0	9.0	39.5	-18.0	13.2
Ghana	TFn	4.5	5.6	7.9	..	..	..	..	..	..	..	..
Uganda	TFr	0.9	2.2	3.0	4.2	6.1	4.6	5.7	7.0	23.0	22.5	21.4
Morocco	TFn	2.0	3.5	4.0	4.4	4.7	4.1	5.8	5.9	39.7	2.0	9.0
Oman	THSn	1.5	6.3	7.6	5.5	6.4	6.8	5.4	..	-20.3	..	-3.0
Yemen	TFn	..	1.9	3.4	4.2	4.7	5.8	5.3	..	-8.8	..	22.3
Syrian Arab Republic	TCEn	..	3.4	3.7	4.2	5.7	7.8	11.0	5.3	41.4	-51.5	7.8
Lebanon	TFn	1.6	1.6	1.7	2.0	2.5	3.9	5.9	4.9	52.5	-18.1	19.8
Rwanda	VFn	..	..	..	2.2	2.5	3.0	4.1	..	37.0	..	..
Namibia	TFn	..	..	..	..	3.7	5.1	4.2	4.0	-17.4	-4.6	..
Sierra Leone	TFr	..	..	..	..	..	..	0.8	4.2	..	405.9	..
Swaziland	VFr	..	2.4	2.0	2.6	2.7	2.1	2.0	2.3	-7.3	18.4	-0.3
Seychelles	TFr	0.5	0.5	0.6	1.1	0.8	0.9	1.1	2.1	17.3	97.0	27.1
Central African Republic	TFn	0.3	0.2	0.2	0.2	0.3	1.7	2.0	..	14.2	..	67.8
Guinea	TFr	..	1.6	1.7	1.9	..	..	..	..	..	..	..
Botswana	TFr	0.6	..	1.6	2.2	1.8	..	..	..	..	..	..
Burkina Faso	THSn	1.2	1.8	1.5	2.0	1.5	1.6	1.9	1.6	19.3	-16.4	-2.3

a) Arrivals in the above destination countries were provided by local sources based on different measurements (TCEn, THSn, etc.). Data is only comparable across time for each destination, caution should be exercised when comparing data between destinations. For abbreviations of data series: see table 6.6.

b) AAG = Average Annual Growth between 2005 and 2011 (or 2010 if 2011 figure is not yet available).

Source: UNWTO, based on national sources.

Profile of the Chinese Traveller

7.1 Key Characteristics

In an apparently homogenous country there is an understandable tendency to treat China as one market and one area of operation. Yet, while it is one nation, geographical and cultural differences can create huge variations in demand profiles. Other factors, such as the operating environment, also have a significant influence on demand. It is therefore difficult to identify general characteristics of outbound travellers, especially as demographic and lifestyle groups also vary sharply depending on the destinations visited.

Nevertheless, the following provides a brief summary of the main characteristics of today's Chinese outbound travellers. The list of trends is gained from various reports issued by the China National Tourism Administration, VisitBritain and STB, as well as different privately run surveys conducted by organisations such as ACNielsen and Visa International. The profile excludes travellers to Hong Kong (China) and Macao (China).

- The proportion of male to female travellers is quite balanced, with females slightly outnumbering males: 53:47. But Europe attracts almost 50% more males than females (60:40), partly because of the higher than average share of business trips.¹ The United Kingdom, where 66% of the Chinese business travellers in 2010 were men, can exemplify this.²
- Chinese outbound travellers are relatively young. 20% are aged 15-29; 35% are 25-34 years old; and 29% are in the 35-44 age bracket. Travellers to Europe are believed to be older than the average outbound traveller – the 35-60 age segment has the highest proportion.³ As the Chinese age structure changes, this segment will grow.
- A majority of outbound travellers are travelling for leisure purposes, but a majority of those going to some destinations in Europe (e.g. United Kingdom and the Nordic countries) are business travellers. However, business trips are often combined with leisure activities.
- The major urban centres of Beijing, Shanghai, Guangzhou and Shenzhen account for most of the outbound travel demand among Chinese, but demand from smaller cities and towns is also growing fast.
- The great majority of outbound Chinese tourists – excluding those travelling to Hong Kong (China) and Macao (China) – arrive at their destinations by air.
- The share travelling in groups is still high, only 7% travel entirely without companion.
- A Chinese trip to Europe averages 8-15 days. Most European destinations have average lengths of stay between 1 and 3 nights. The United Kingdom, a non-Schengen destination, is a notable exception, with 13 nights as the average length of stay; however, 33% of the visits last 4-7 nights, according to VisitBritain data.

1 Global Blue (2011), *Perspective on China* (Online), available: <http://www.global-blue.com/merchant-services/corporate/insight/perspectives/perspectives-q3-2009-china/> (16-06-2011).

2 VisitBritain (2011), *VisitBritain Survey* (Online), available: <http://www.visitbritain.org/aboutus/corporatepublications/index.aspx> (15-06-2011).

3 ETC (2011), *ETC Market Insights: China, January 2011* (Online), available: http://www.etc-corporate.org/resources/uploads/ETCProfile_China-1-2011.pdf (18-06-2011).

- The percentage staying in paid accommodation is generally high – at least 70%.
- Repeat travel is high and growing. The Scandinavian Tourist Board (STB) (as referenced in TFWA-AC Nielsen survey) highlighted that 44% of the Chinese arriving at Copenhagen airport were repeat visitors in a study made in 2010.⁴ The large amount of repeat visitors to Nordic countries relates to the higher frequency of business travellers.
- As far as Europe is concerned, Chinese say they would prefer an in-depth tour covering a maximum of three countries, rather than a whistle-stop tour of 5-6.

7.2 Disposable Incomes and Propensity to Travel

The Chinese propensity to travel is strongly related to disposable incomes. Income levels have grown rapidly and nearly 120 million people (46 million households) – representing the richest quintile of urban households – have per capita annual disposable incomes averaging around CNY 40,000 in 2010 (US\$ 6,000 or € 4,500). The next richest quintile (upper middle income) – representing another 125 million people – had an average disposable income of CNY 23,000 per capita (see chapter 2, table 2.3). As for the super rich, the Hurun Report says there are 825,000 people with assets of more than US\$ 1.5 million and 51,000 with assets of more than US\$ 15 million. Many of them are frequent travellers worldwide.

A large share of Chinese outbound travellers (47%) in the income range of CNY 5,001-10,000 a month. Although 16% of outbound travellers earn less than CNY 3,000 a month, very few of these would go for long-haul destinations. In fact, most of these trips are for neighbouring destinations, as well as group tours in popular holiday destinations in South-East Asia, such as Thailand and Singapore. Nevertheless, even among the lower income groups – and particularly young people – an amazing 53% of disposable income – after all essentials are paid for – were reportedly spent on travel, according to research conducted in 2007 by ACNielsen.

Table 7.1 Chinese (mainland) outbound travellers by income groups, 2010

Individual monthly income (CNY)	Travellers (%)
No income	3.2
≤ 1,000	1.5
1,001-3,000	11.3
3,001-5,000	26.3
5,001-8,000	29.8
8,001-10,000	17.5
10,001-20,000	8.7
> 20,000	1.8

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 69.

4 CB (2011), *American Express Business Travel released new report on Chinese travel* (Online), available: <http://www.cb.com.cn/1634427/20101202/171223.html> (14-06-2011).

7.3 Changing Lifestyles and Shifting Demographics

7.3.1 Travel by Age Group

According to a questionnaire carried out in 2010 by the China Tourism Academy, Chinese under the age of 35 make up the majority of outbound trips, 56%, whilst older travellers make up the remaining 44%. This indicates a shift toward the younger outbound travellers segment compared to earlier data.

Table 7.2 Age profile of outbound travellers from China (mainland), 2010 (%)

Age	(%)
0-14	1
15-24	20
25-34	35
35-44	29
45-59	12
≥ 60	3

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 67.

It should be observed, however, that different destinations appeal to different age groups. Long-haul destinations, which inevitably cost more to visit, attract primarily older segments – student travel being an obvious exception to this. Data on Chinese travellers to Australia and the United Kingdom provide two examples of age structures of Chinese long-haul travellers. Both countries attract higher than normal shares of students from China, apparent in the relatively high share of 15-24 year-olds and the predominance of females in this group. In the 35-44 year-old group, business travellers are common, with the gender distribution skewed towards males. Data from other European countries tends to confirm the predominance of older travellers in ADS tour groups.

Table 7.3 Chinese visitors to Australia by age, 2009 (%)

Age	Male	Female
15-24	20	24
25-34	17	18
35-44	22	22
45-54	23	22
55-64	13	13
≥ 65	6	5

Source: Department of Resources, Energy and Tourism (Australia) (2009), *International visitor profile 2009*.

Table 7.4 Chinese visitors to the United Kingdom by age, 2009 (%)

Age	Male	Female
0-15	5	3
16-24	3	30
25-34	25	28
35-44	34	11
45-54	19	21
55-64	9	5
≥ 65	4	2

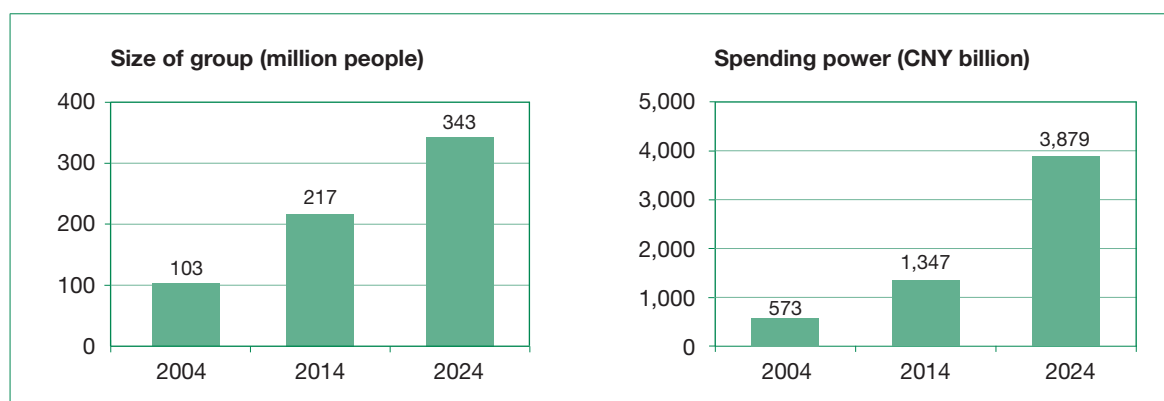
Source: VisitBritain (2010), *China market and trade profile*.

7.3.2 Age and Income Groups with the Main Growth Potential

In the mid-1990s, the Chinese population was young – 56% of the population were under 30 years old. But the Chinese Government's "one child" policy, along with rapid economic growth, has had a significant impact on the ageing of the population. The highest growth segment of the last decades has been the 'householder' – the 30-59-year age group. And the main growth segment of the next ten years will be the more mature householder – the 40-69-year age group. All other age groups will decline in size and their segment value will therefore not increase in real terms over the next decade.

The age/lifecycle segment considered to offer the greatest travel growth potential over the next 20 years is the 25-44 year-old group, and particularly the younger Chinese in this group (roughly those aged 25-35). ACNielsen says that these are the Chinese spending the highest share of their disposable incomes on travel and they are reportedly prepared to borrow money to ensure they can do so.

However, another important age segment are the working-age 'empty-nesters' – those whose children are probably more than 20 years old and economically independent. According to Global Demographics, they already have most of the home 'durables' they need, are obtaining rapidly increasing discretionary funds, and are the first wave of educated adults in China. Significantly, for travel and tourism, the Chinese mature householder is developing new interests and is now often looking for experiences rather than material things. This group is projected to increase by 6% annually up to 2024. In value, it is growing at over 10% per year. 'Working-age empty nesters' are expected to be one of the fastest growing demographic segments for outbound travel. They have greater discretionary income and are interested in new experiences.

Figure 7.1 Size and spending power of the Chinese 'working-age empty-nester'-group, 2004-2024

Source: Global Demographics (2008).

The size of the 'working-age, empty-nester' group is forecast to reach 343 million by 2024, and the group's spending power is increasing even faster.

The new labour force also offers an opportunity. The population engaged in white-collar (office and service) occupations is projected to increase to 383 million in 2024. In value, this segment is expected to grow by 5.5% per annum to 2014. It is all the more important since China's labour force is expected to stop growing by 2015. So this is one of the few segments whose potential will really increase.

Finally, the upper middle-class household is an extremely important high-growth segment for European suppliers. By 2015, McKinsey & Company expects China to have more than 4 million wealthy households (defined as those having an annual income in excess of CNY 250,000), making it the world's fourth-largest country in terms of its number of wealthy households, up from 1.6 million in 2008.⁵

7.3.3 Education Levels

More than 81% of Chinese outbound travellers reportedly have either a university education or college training. This helps to explain why university lecturers, teachers, government employees, company managers and workers of liberal professions tend to dominate tour groups. But, as far as travel to Europe is concerned, retirees are also important.

Table 7.5 Level of education of Chinese outbound travellers, 2010 (%)

Level of education	(%)
Primary school or less	0
Secondary school	4
High school, technical school and vocational school	15
'Dazhuan' (three-year) diploma	31
Bachelor's degree	39
Master's degree or above	11

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 67

7.3.4 Travelling Companions

According to the *Annual Report of China Outbound Tourism Development 2010*, 47% of Chinese outbound tourists are travelling with members of their family, and another 24% with friends. Only 7% travel entirely without companions. 3% of travellers are participants in groups organized by their work units or companies - mostly for technical tours, incentives, and study. The detailed breakdown can be found in table 7.6.

5 McKinsey (2010), *China to have the world's fourth-largest number of wealthy households by 2015* (Online), available: http://www.mckinsey.com/locations/greaterchina/mckonchina/reports/china_wealthy_household.aspx (16-06-2011).

Table 7.6 Composition of outbound traveller groups, 2010 (%)

Traveller companions	(%)
Family members	47
Friends	24
Company/class/association	14
Independent tour	7
Self-guided travel with tour pal	4
Business/conference/training meeting	3
Internet friends	1
Others	1

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 72.

Since travelling with family makes up almost half the trips, a closer look at current family outbound travel is warranted. Families of three people (usually parents and one child) make up 57% of all the families on outbound travel from urban areas in China. Two generations (implying parents and their grown-up children) make up 15%; three generations (where grandparents join the trip) account for 10%.

7.4 Traveller Preferences by Region

Research shows that there are some marked differences in the demographic profiles of potential travellers in different cities. Below are some characteristics from the three main cities – Beijing, Shanghai, and Guangzhou – based on the *Report of China Outbound Tourism Development 2011*.

Outbound tourists from Beijing tend to have the highest level of education, and Europe is the overseas region they are most interested in visiting. Shanghai's outbound tourists, while less educated than those from Beijing, are even more likely to include Europe in their desired destinations. They are less attracted to Asian destinations. Outbound tourists from Guangzhou are the least well educated of the three. They focus on South-East Asian countries as their destinations of choice, Europe holding less appeal to them.

7.4.1 Beijing

The number of outbound trips from Beijing was 2.7 million in 2010, a staggering 221% increase on the previous year. Beijing-based travel agencies interviewed for this study reported several-fold increases on the previous year in travellers to several European destinations, especially France and Italy. Asked for the reason for the sudden jump in outbound tourism from Beijing, they put forward the ease with which Beijing residents are now able to obtain visas compared to Chinese in other cities.

In terms of the number of tourists, Taiwan (province of China), Hong Kong (China) and Macao (China) saw a decrease, whereas Europe saw an increase in visitors and general interest. The ranking of outbound destinations from Beijing saw a big shift in 2010, with Japan and France, rather than Hong Kong, taking the top spots (see table 7.7 for specific numbers). Most European destinations saw a significant increase in Chinese tourists flying from Beijing.⁶

6 China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 114.

Table 7.7 Top travel destinations from Beijing in 2010

Rank	Destination	Trips
1	Japan	243,687
2	France	200,506
3	Hong Kong (China)	188,438
4	Italy	165,294
5	Republic of Korea	147,113
6	Thailand	138,089
7	Germany	133,293
8	Taiwan (province of China)	103,349
9	Singapore	92,296
10	Malaysia	71,149

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 114.

The percentage of male Beijing outbound tourists remains higher than that of female – 55:45. Additionally, a majority of people in this segment either hold a bachelor's degree (42%) or a 'Dazhuan' diploma (30%), indicating a relatively well-educated group.

Characteristics of Beijing mid- to long-haul travellers were surveyed by Tourism Australia and included in the previous edition of this report:

- The percentage of women, younger people and white-collar households was higher in Beijing compared to other cities. They also tended to have a higher level of education and a greater command of the English language. Additionally, they used the Internet more frequently.
- Although their experience of overseas travel was relatively low compared with residents of Guangzhou, they were more likely than others to profess a desire for independent rather than group holiday travel. Unlike travellers from Guangzhou, their interest in overseas destinations focused on Europe.
- They found Australia more appealing and were more interested in a visit there than Chinese from the other cities. They anticipated fewer costs or time difficulties associated with a trip to Australia and were less concerned about getting a visa to travel there.

7.4.2 Shanghai

In 2010, the number of outbound tourists organized by travel agencies in Shanghai reached 1.1 million a year-on-year increase of 27%.⁷ It has been suggested that the 2010 Shanghai World Expo might have had some effect on outbound travelling.

Like in Beijing, most of the outbound tourists in Shanghai are relatively well educated – 39% have a bachelor's degree and 30% have a 'Dazhuan' diploma. The portion of males (54%) is higher than that of females (46%). Unlike Beijing, however, destinations of choice are mainly in Asia rather than in Europe. Only 13% of the tourists are interested in going to Europe, compared to 34% in the case of Hong Kong (China), Macao (China) and Taiwan (province of China); and 19% in the case of Japan and the Republic of Korea.

⁷ China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 135.

Characteristics of Shanghai mid- to long-haul travellers, based on the Tourism Australia survey (see Beijing section above) were:

- they tended to be older than their counterparts in other cities and were more likely to have children. They were less well educated than residents of Beijing;
- their experience of overseas travel was limited, like those surveyed in Beijing, but unlike them they did not tend to have an 'independent' traveller mindset;
- they were more likely to include Europe in the destinations they were seriously considering visiting – or simply dreamed of visiting – than their counterparts in Guangzhou, but showed more interest in Asian countries than those from Beijing.

7.4.3 Guangzhou

After a slowdown caused by the 2009 influenza Pandemic (H1N1), growth in outbound tourism in Guangzhou resumed at the end of 2010. This increase was mainly seen in travels to Hong Kong, which were up 19.6%; travels abroad increased by a meagre 2.3%. Thailand regained its place as Guangzhou's top outbound travel destination, with tourist numbers rising by 14.2%, overtaking the number of visitors to Japan. The following table shows the top 5 destinations for Guangzhou tourists.⁸

Table 7.8 Top travel destinations from Guangzhou in 2009

Rank	Destination	Trips
1	Thailand	72,137
2	Japan	65,690
3	Singapore	61,227
4	Republic of Korea	39,821
5	Malaysia	24,546

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, p. 153.

According to the Annual report of China outbound tourism development 2011, the proportion of male to female travellers from Guangzhou was 50:50. 34% of the tourists travelling from Guangzhou have a bachelor degree and 37% have a 'Dazhuan' diploma.

Characteristics of Guangzhou mid- to long-haul travellers, based on the Tourism Australia survey (see Beijing section above) were as follows:

- they were better travelled than residents of Beijing or Shanghai;
- their travel experience was most likely from other Asian countries and they also focused on this region when considering future holiday travel. Europe had less appeal to them. Their familiarity with and interest in Asian countries was stronger than for other destinations;
- despite their travel experiences, they appeared relatively unsophisticated in their travel behaviour, favouring group travel and being concerned about language barriers. This may result from the fact that they were relatively less educated than others, and professed lesser ability with the English language.

8 China Tourism Academy (2011), *Annual report of China outbound tourism development*, Profil Verlag, p. 153.

7.5 Seasonality

The peak periods for both outbound and domestic travel have traditionally been the three 'Golden Weeks', which fall in Chinese New Year, in the first week of May and in the first week of October. However, from 2008 the May Golden Week has been replaced by three separate holidays, resulting in heightened domestic travel at the expense of long-haul destinations, too far-flung for a long weekend. This division has also put even more pressure on long-haul transport hubs during the two remaining weeklong holidays.

In 2008, China started to institutionalise holiday pay for workers. Those with less than ten years of service receive 5 days' entitlement; those with 10-20 years' of service get 10 days; and those with over 20 years get 15 days. This means that, apart from public holidays, Chinese citizens increasingly have additional holidays at their disposal, a trend likely to result in more evenly distributed holiday travel as well as longer travelling periods. While the current 'holiday economy' is based on the fact that people rush to travel within short, circumscribed timeframes, it will gradually develop into a more balanced holiday pattern – certainly, good news for destinations in Europe.

Table 7.9 Breakdown of overseas trips by month, average of 2007 and 2008 (%)

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
8.09	8.37	8.13	7.95	8.16	7.31	9.08	8.51	8.29	8.81	8.47	8.84

Source: ETC (2011), *ETC Market Insights: China, January 2011*, p. 7.

Seasonal preferences clearly vary from one destination to another, and especially between regions. The school holidays in July-August form the peak season for family travel, and May-October for business travel. Schools also take a four-week break in the New Year. However, seasonal fluctuations in outbound travel are not drastic, as the figures above show.

7.6 Purpose of Trip

7.6.1 Private/Leisure Travel Gains Share at the Expense of Public/Business Trips

The share of public trips (i.e. trips for business or official travel) has declined sharply over the past decade – from 46% in 2000 to 10% in 2010 – as restrictions on outbound leisure travel, and especially group travel, have eased. Private, or leisure trips, meanwhile, have increased from 54% to 90% of total trip volume over the ten years.

Table 7.10 Outbound travel from China by purpose of trip^a, 2000, 2005 and 2010

Trips (× 1,000)	2000	2005	2010
Public	4,843	5,886	5,693
Private	5,631	25,140	51,697
Total	10,473	31,026	57,390
Share (%)			
Public	46.2	19.0	9.9
Private	53.8	81.0	90.1
Total	100.0	100.0	100.0

a) See text for further clarification regarding the type of trip. Passports for 'public', or official and/or business travel are issued to a wide range of categories, but mostly non-holiday travellers. 'Private' passports are issued to VFR and some leisure travellers. In effect, business travellers could travel abroad on either type of passport, although they are more likely to have 'public' passports.

Source: China News [China Tourism Research Institute] (2011).

7.6.2 Public/Business Travel

Still a growing market

Despite the drop in share, the absolute volume of public (business/official) trips and organised technical tours continues to grow. According to the Shanghai Business International Travel Service, expanded Chinese contact with foreign countries is certain to boost demand for this type of travel further. Visa applications for business travellers are also being streamlined, while the amount of money that can be taken out of the country has been raised from US\$ 2,000 (or equivalent in CNY) to US\$ 5,000. These measures can be expected to further fuel demand.

American Express released its China Business Travel Survey Report at the end of 2010, which showed that 41% of enterprises increased their travel expenses in 2010 with over half of the respondents planning to do so in 2011.⁹

In addition to ADS-facilitated leisure travel, other trending markets such as business, MICE, and FIT travel hold incredible growth potential – for example, executives, officials, entrepreneurs, and professionals who combine work and leisure travel. Incentive travel for Chinese workers and business partners also remains a young but potentially powerful segment of the business travel market.

Shanghai is the main source

Home to a myriad of consulates, about 300 foreign financial institutions, more than 20 foreign bank branches and the offices of several thousand multinational and foreign corporations, Shanghai – rather than Beijing – is the primary source of outbound business/official travel. Emerging as China's commercial hub, it has established 'friendship city' connections with 43 cities all over the world. The 2010 Shanghai World Expo provided opportunities for destinations to launch their marketing campaigns. 73 million people visited the Expo, including 4.25 million overseas visitors; this well-branded and marketed event potentially stimulated demand for outbound tourism and expanded China's presence on the global tourism stage.

More profitable than leisure tourism

Business/official tours mainly comprise small groups of six or seven people; conference, training and commercial exhibition groups, however, can include hundreds of participants. The expenses involved are far higher than for leisure tours, largely because they are paid for by organisations and require higher levels of customisation. For the travel agency, organising a business/official tour is more profitable per person than organising a private/leisure holiday trip.

Nevertheless, it is important to point out that government policy has an unusually strong impact. In 1994, for example, the number of official outbound travellers fell when the Chinese Government placed tighter controls on spending to clamp down on corruption.

Services for business/official overseas tours are provided by five entities:

1. The state-owned service centre or representative office;
2. the commercial consultative corporation dealing with business/official outbound tour business;
3. companies handling personal overseas tours;
4. travel agencies; and
5. foreign travel offices in China.

9 CB (2011), American Express Business Travel released new report on Chinese travel (Online), available: <http://www.cb.com.cn/1634427/20101202/171223.html> (14-06-2011).

Travel agencies have little involvement in business/official travel

Travel agencies handle only a small share of the business/official travel market due mainly to the fact that business is more or less limited to countries with ADS. The Chinese administrative department in charge of travel agencies has punished agencies that have organised self-sponsored group travel to non-ADS countries. Many government units do not accept the invoices of travel agencies because they do not fully understand what agencies do. Government units also believe that if agencies handle official tours, the units will also be suspected of organising them at the public's expense.

While providing excellent airline, hotel, and sightseeing contacts, travel agencies often lack the resources required to manage official trips. For example, business/official tours often require specialised contacts and an invitation letter from the institutions to be visited – if agencies do not have proper contacts, they must decline the business.

7.6.3 Private/Leisure Travel

Holidays generate the highest share of demand

While the official data is not strictly comparable with that from other sources such as IPK International's World Travel Monitor or the China Outbound Monitor from ACNielsen and the Pacific Asia Travel Association (because of the different methodologies used to compile the data), most other surveys confirm that private/leisure travel accounts for the bulk of all trips abroad by Chinese, with visits to friends and relatives (VFR) generating about 15%.

Cities attract the highest share of holidaymakers (around 50%) – usually trips involving several capital cities. Demand for sun and beach and other types of holidays is growing, and this trend looks set to continue as the Chinese visit more and more resort destinations in Asia. But urban attractions are likely to remain the main draw for Chinese tourists in Europe.

Purpose of trip varies with destination

As might be expected, there are big differences in the purpose of the trip from one destination to another – even within Europe. Unfortunately, few destinations provide this kind of information breakdown, so comparisons are difficult. However, it is interesting to look at some examples.

Holidays and other types of leisure account for just 25% of all arrivals in the Nordic countries, according to research carried out by the Scandinavian Tourist Board. In contrast, some other European destinations, such as Italy or Belgium, attract as much as 70-80% leisure tourism in their overall count, with the balance coming from conferences and meetings business.

One interesting case is the United Kingdom, which probably attracts a higher share of business travellers from China than any other European country except Germany. The United Kingdom is also much more important than average for study trips, notably ones with an English-language focus. Chinese citizens are now the largest overseas student group in the United Kingdom with 85,000 studying in the United Kingdom in 2009 – up 40% from the previous year. As evidenced by the following table, holiday visits accounted for an average of 31% of visits in the United Kingdom in 2009.

Table 7.11 Purpose of Chinese travel to the United Kingdom, 2009 (%)

Purpose	(%)
Holidays	31
VFR	27
Business	28
Study	6
Other	8
Total	100

Source: VisitBritain.

How to Market International Destinations in China

8.1 European NTOs in China

8.1.1 Necessary Presence

In 2011 there were 23 foreign NTOs established in China, as well as a handful of regional and city tourist offices, mainly from the United States of America. Opening an office may be a difficult process. For that reason many NTOs are represented through their embassies, consulates, or national airlines.

Table 8.1 Some European NTOs in China by location and type of office,^a January 2012

Country/NTO	Beijing	Shanghai	Other
Austria	A		
Belgium/Flanders	A		
Czech Republic	A		
Denmark	B	B	
Finland	D	D	D (Hong Kong)
Germany	D		D (Hong Kong)
Greece	A		
Hungary	C		
Ireland	D	D	
Italy	A		
Monaco		D	
Norway	A / B	A / B	
Poland	D		
Slovenia			(Tokyo) ^b
Spain	A		A (Guangzhou)
Sweden	B	B	
Switzerland	A	A	
Turkey	A		

- a) A = Own branch office.
 B = Shared offices with other NTOs.
 C = Shared offices with other national partners.
 D = Contractual representative offices.
- b) Slovenia's office in Tokyo is also responsible for the Chinese market.
- Source: The respective NTOs (2011).

Switzerland was the first European country to open an office in China, in 1998, and it has since then been joined by 18 others.¹ Some countries have offices both in Shanghai and Beijing. There are eighteen countries with full offices in Beijing headed by an expatriate director (eight of these also have offices in Shanghai). In addition, Sweden, Norway and Denmark have a joint operation in Beijing and Shanghai under the banner of the Scandinavian Tourist Board (STB), but Visit Sweden will leave the board in 2012 because of differences in strategic priorities, and go alone. Turismo de Portugal, the Portuguese tourism board, is represented abroad by ICEP, the Portuguese Agency for Foreign Trade and Investment. Two other countries (Germany and Ireland) have local marketing representatives (Ireland's is in Shanghai rather than Beijing). Hungary is represented by its embassy, and Italy by the Italian Chamber of Commerce.²

All leading Asian tourism destinations, as well as Australia, have offices in China. North American destinations are also present in China in various forms. Canada opened an office in Beijing in 2009, before reaching full ADS status in 2010. While the United States of America does not have an office, some of its states and cities do. Nevada, for example, opened an office in 2004 to attract Chinese travellers for gambling; the state of Hawaii and the cities of San Francisco and Los Angeles are represented in both Beijing and Shanghai; New York City has reached an agreement with the Chinese government to establish a presence in China, and recently launched a micro blog to promote New York to Chinese travellers.

While still fairly modest overall, NTO marketing activity in China is increasingly being boosted by activities on the part of local and foreign tour operators and travel agencies, as well as international hotel groups. In addition, some countries link their tourism promotions with activities by trade missions in an attempt to stretch what often are meagre promotional budgets of NTOs.

8.1.2 Slow Return on Investment

Although a presence in China is critical if NTOs are to ensure they capture their share of the market's growth, the excessive hype surrounding the Chinese market means that many countries have overly optimistic short term growth expectations.

The experience shows that the first years of ADS operation in Europe – i.e. handling leisure group tour business – have rather fallen short of expectations, even for Europe's leading tourism destinations. Numbers have been lower than expected, yields are comparatively modest and fairly stringent checks have not avoided a number of Chinese to abscond during their trips, resulting in tour operators losing their right to handle the business, if only on a temporary basis.

Despite these early teething problems, China clearly has huge growth potential for the medium term and has become one of the most hotly contested markets in the world. But, for the foreseeable future, the principal players in Europe, in terms of ADS business, will continue to be the leading Schengen destinations, and especially France, Italy and Germany. Switzerland is also seen as a strong competitor – largely because Switzerland Tourism has the support of more than 50 Swiss tourism and non-tourism companies established in China, contributing to raising the image of the destination and sharing in the funding of joint promotions. And non-European competitors, such as Australia, New Zealand and South-East Asia, should not be disregarded.

The United Kingdom will continue to attract a significant share of business tourism and students from China – as long as visas do not become prohibitively expensive. But the difficulty of organizing multi-destination tours including countries in the Schengen area and the United Kingdom, when a separate United Kingdom visa is required, makes them an unattractive proposition. (Switzerland's solution to the problem has been to grant visas automatically to anyone who has already secured a Schengen visa.)

1 CNTA (2011), (Online), available: <http://www.cnta.gov.cn/html/common/zhjg/zhjg.html> (27-06-2011).

2 Ibid.

8.2 Doing Business with the Chinese

There are a number of rules for NTOs and inbound European tour operators and suppliers to remember when trying to do business with Chinese tour operators and travel agencies. To summarise the most important: it helps to have some kind of representation in China; Mandarin-speaking staff and tour guides should be appointed (or Cantonese-speaking staff in Guangdong Province); a Chinese website is essential (cf. chapter 5); sales training and familiarisation trips need to be provided; suppliers should ensure detailed, itemised quotes and add value for FIT groups; and everyone should be conscious of price constraints, but should not sacrifice quality.

Suppliers who are prepared to work Chinese hours are also likely to benefit from increased business. Chinese expect their requests for quotes to be responded to on a 24/7 basis. They do not care what the official working hours are in destination countries. In addition, even if some requests seem strange, it is important to try to accommodate them. It is common to be asked to include tips in the package price, for example. Chinese travelling on government or company money do not want to put their hands in their pockets to pay tips. And even leisure tour group participants prefer to have a fully inclusive package price, so they know how much they have for shopping and other extras.

8.3 The Chinese Media

8.3.1 Chinese Newspapers and News Sites

Many magazines now include articles about tourism. High-end magazines have more personalised information about tourism. They give tips on places few people have been to rather than just talking about the traditional scenic spots. Trekking, boating, driving tours, etc. have their dedicated groups of readers.

On board planes, in VIP lounges or deluxe restaurants, hotels and banks, many magazines are on display. Travel, and outbound travel in particular, is an important topic in these magazines. Such magazines also carry advertisements and information about ADS, airlines and international hotel chains. In short, articles and advertisements in these magazines are full of promotions, giving vivid images to the reader that have lasting effects.

Travel agency advertisements focus on the short term. Their aim is to attract clients. These ads are small in size, giving information about travel routes, prices and dates. Such advertisements are placed in daily papers or weeklies. As an example, in June 2011, a lifestyle weekly newspaper had a commercial about travel to New Zealand, which included an eight-day trip to Auckland for CNY 6,666 per person for a minimum of two people, a nine-day tour to Australia for CNY 23,688, and a five-day tour to Taiwan (province of China) for CNY 5,399.³ Daily newspapers also carry a large number of advertisements from travel agencies.

Chinese Media Guide

The following media listing is by no means comprehensive, but it is recommended by Danwei – one of the most important media monitoring organisations in China – and highlights the most relevant media as far as potential advertisers in the tourism sector are concerned. The list is updated periodically and can be found on www.danwei.org.

3 E-Lifestyle (2011) (Online), available: <http://e.lifestyle.com.cn/default.aspx?magazine=2730&issue=859>. (27-06-2011).

People's Daily group:

- *People's Daily* – national voice of the Chinese Party, with editions in English, Japanese, French, Spanish, Russian, and Arabic.
- *Beijing Times* – part of People's Daily group but edited and managed like a commercial newspaper. It borrows its design from Southern Metropolis Daily, and aspires to be a working-class paper.

Southern Media group:

- *Southern Metropolitan Daily* – a daily newspaper distributed mainly in the Pearl River Delta area.
- *Southern Weekly* – an entertainment focused magazine, based in Guangzhou.

Beijing Daily group:

- *Beijing Daily* – the official newspaper of the CPC Beijing Municipal Committee, belonging to Beijing Daily Newspaper Group and with a circulation of 400,000 copies.
- *Beijing Morning Post* – belonging to Beijing Daily Newspaper Group, it was Beijing's first morning newspaper.
- *Beijing Evening News* – with a circulation of 800,000 copies, it is one of the world's top hundred daily newspaper based on circulation.
- *Beijing Daily Messenger* – Beijing's only metro newspaper. It started as Star Daily, an entertainment-oriented newspaper run by the Beijing Daily Group.⁴

Other important newspapers:

- *China Youth Daily* – published since 1951 and distributed nationwide, it has always had a large reader base because universities and high schools were strained to subscribe. It is a good and well-respected Chinese newspaper. According to its website, China Youth Daily sells about half a million copies every day.
- *Beijing Youth Daily* – the official newspaper of the Communist Youth League in Beijing. It was established in 1949, and is now published by the Beijing Youth Daily Publishing Company. It is one of Beijing's most widely circulated newspapers.⁵
- *The First* – launched in late 2004 as a joint venture between the Beijing Daily Group, Beijing Youth Daily, and the Shanghai Media Group. It boasts a large quantity of photos and sports news.

Regional newspapers:

- *The Beijing News* – it is a Southern Media Group and Guangming Daily joint venture, on a quest to become the New York Times of China.

4 Danwei (2011) (Online), available: <http://danwei.org/> (27-06-2011).

5 Broad Global Capital (2011), *BGCapital leaders met vice-president of Beijing Youth Daily newspaper* (Online), available: <http://www.broadglobalcapital.com/en/NewsView.asp?ID=135> (25-06-2011).

- *Xinmin Evening News* – a newspaper published since 1929 in Shanghai, owned by Wenhui-Xinmin United Press Group. Currently its editorial mission is to “promote policies from the government, spread knowledge, change culture, and satisfy life”.⁶
- *Oriental Morning Post* – a glossy comprehensive daily, covering 15 cities in the Yangtze River Delta.
- *Jiefang Daily* – press organ of the Shanghai Party.
- *Chongqing Evening News* – a daily paper based in Chongqing, writing about local news and events.
- *Yangcheng Evening News (Guangzhou)* – covering local news in Guangzhou on a daily basis.

Business papers:

- *National Business Daily* – Shanghai based joint venture between Jiefang Daily and Chengdu Daily newspaper groups; publishes eight pages apiece on domestic and international business news.
- *China Business News* – first Chinese business daily, aims “to be the most influential, authoritative and respected financial daily newspaper in China, matching the future of Chinese economic development, and equivalent to world-class papers like the Wall Street Journal and Financial Times”.
- *The Economic Observer* – a weekly Chinese newspaper offering news and commentary on Chinese politics, economics, finance, media, and culture.
- *China Business* – business weekly published by the Chinese Academy of Social Sciences, which gives it access to lots of data and research.

Portals/websites:

- *Xinhuanet* – launched in 1997 as the online news service of Xinhua News Agency. It releases important news about China and the world, utilising the company’s worldwide information-gathering network. Xinhua’s English service is at ChinaView.⁷
- *Baidu* – among the company’s 57 search and community services is a news service, a popular discussion forum, as well as Baidu Baike, an online collaboratively built encyclopaedia (the Wikipedia of China).⁸
- *Sina* – the largest Chinese-language infotainment web portal, including discussion forums, blogs, and news. The platform pioneered a service for micro blogging in China.⁹
- *Sohu* – a search engine company, offering news, advertising, a search engine, on-line multiplayer gaming and other services.¹⁰
- *Eastday* – based in Shanghai, a web portal with news and entertainment, as well as travel information.

6 Ibid.

7 Xinhuanet (2011), *Brief Introduction* (Online), available: http://news.xinhuanet.com/english/2007-08/31/content_6637522.htm (27-06-2011).

8 Broad Global Capital (2011), *BGCapital leaders met vice-president of Beijing Youth Daily newspaper* (Online), available: <http://www.broadglobalcapital.com/en/NewsView.asp?ID=135> (25-06-2011).

9 Ibid.

10 Ibid.

Magazines:

According to the World Tourism Organization's report *China – The Asia and the Pacific Intra-regional Outbound Series*, the number of travel magazines for the public in China, such as *Traveler and Tourist*, is rapidly increasing. As travel has become an essential part of life for many families, it also has become an important subject in many newspapers and magazines – and not just confined to high-end magazines.

As an example, white collars in Beijing like to read *Trend Magazine*, and travel is an important trend among the Chinese. From *Trend Magazine* a new magazine has been born, *Trend Travel*. Similarly, the Gootrip media group has also developed new travel and tourism publications, born out of their general media – e.g. *The Player Magazine* spawned *Player's Travel*.

Global Travel is a weekly publication which aims to introduce foreign countries to the Chinese, as well as introduce China to, and make the country popular among, foreigners. Distribution is 200,000+ for each weekly issue across 604 tourism cities in China. Other key consumer publications include *National Geographic* (www.huaxia-ng.com) and *Chinese National Geography* (www.cng.com.cn).

The most important of the travel trade magazines include:

- *TTG China* (www.ttgasiamedia.com/ttgchinashtml), a leading Chinese-language monthly, targeting travel agencies and other travel professionals in the Greater China Region. It has a monthly distribution of 78,000 travel readers.
- *TTN China* (www.ttnmedia.com) has a 17 years' experience in the Chinese market. Published monthly, it is distributed throughout China, with a circulation in excess of 65,000 to travel and tourism professionals.
- *China Travel Agent* (www.lxsmedia.com), which is geared almost exclusively to the travel trade, is published monthly and has a circulation of 32,000 travel agents, plus an electronic distribution of 50,000 professionals.
- *Tong Ye Travel Message Weekly* (www.ctty.cn) is distributed to more than 18,000 Chinese travel agents weekly. It is a travel trade magazine distributed by direct mailing to all tour operators and travel agencies in North China. Hence it is the leading magazine for all travel operation managers in that region.
- *Business Travel magazine* was established by the end of 2006. It is a combined business and lifestyle magazine that focuses on travel. It is co-sponsored by China Periodicals Associations, the Southern Media Group and the 21st Century Newspaper Group.¹¹
- *Elite Traveller* was commissioned by Ctrip and launched in 2004. It is advocating "freedom, wisdom, and eco-tourism" and has a monthly circulation of 380,000 copies as of September 2011.
- *Voyage magazine*, founded in 2004, targets the high spenders of the Chinese population and presents to them high-end travel information.

Other travel trade publications include China Travel & Tourism Press (www.cttp.net.cn) and TTG-BT MICE China (www.ttgasiamedia.com/BTNC.shtml).

11 COTTM (2011) (Online), available: <http://www.cottm.com/pages/partners> (27-06-2011).

8.3.2 Advertising: A Changing Landscape

Chinese media channels are plentiful and they attract large audiences. In the jungle of media channels, it is not a simple task to choose the right one. According to the General Administration of Press and Publication, China published 9,851 journals and 1,937 newspapers in 2009. By the end of that year, China had 2,654 television and radio stations.¹²

Deciding on where – even whether – to spend one's valuable promotion budgets can be difficult. Advertising space in China is often very costly. Promotional activities, such as familiarisation trips for the media and 'in kind' support for TV and radio programmes, are often a much more attractive propositions in terms of return on investment. Nevertheless, travel and tourism advertising is growing fast in China, particularly on the Internet.

On top of traditional advertising channels, recent years have seen the emergence of a wide range of social media channels in China. Blogs, microblogs, discussion forums (often called BBS in China), social networks, and photo and video sharing sites are important components of the new, emerging social media landscape. On the one hand, they add to the noise and distraction and threaten to make it even more difficult to find the right channel. On the other, they offer new and potentially more efficient ways of reaching the Chinese consumer.

8.3.3 Radio

In recent years, a traditional but fast-growing media has been the radio. Survey data suggests that there are 390 million urban radio listeners in China – 57% of the urban population.¹³ In all of China the number is 650 million. Radio stations' advertising revenue grew 4.5% in 2009 and reached CNY 13.3 billion.

The increasing popularity of cars has also boosted use of the radio, since many Chinese enjoy listening to the radio while driving. In the larger cities, where traffic congestion is severe, listening to the radio in the car is a popular pastime and also a way of being informed about congested routes.

8.3.4 Television

According to the *Yearbook of China Radio and TV 2009*, television penetration is 97% of China's population. Additionally, in 2009 the Chinese government approved the establishment of 277 television channels and 1,356 television programs.¹⁴

When the previous edition of this report was written, barriers concerning uptake of cable television were identified. In 2005, China decided to re-focus and invest in high definition digital television instead of cable. In June 2010 there were 1.3 million high definition digital television subscribers in China, 1.8% of the total cable digital users.¹⁵ The same year, the total number of cable digital television users was 88 million and was expected to exceed 110 million in 2010.¹⁶ This makes China a major market for pay-TV and TV a primary means of distributing information.

12 The State Administration of Radio, Film and Television (2011), Statistical Bulletin (Online), available: <http://gdtj.chinasarft.gov.cn/showtiaomu.aspx?id=45dd923e-77c5-4104-9406-517bff1cf1e7> (25-06-2011).

13 CRTA (2011), *New trend for Chinese radio-listeners* (Online), available: <http://www.cрта.com/zixunmh/gdgl/glyj/201101/9565.html> (27-06-2011).

14 Yearbook of China Radio and TV (2010), China Radio and Television Press.

15 TV Sohu (2011), *China high definition digital-TV development status and future trends* (Online), available: <http://tv.sohu.com/20100921/n275194739.shtml> (27-06-2011).

16 DVB CN (2011) (Online), available: <http://www.dvbcn.com/2011-01/25-69726.html> (27-06-2011).

8.3.5 Internet

With more than 68% of China's Internet users stating that the Internet is their preferred method for obtaining travel information, the Chinese online advertising potential has never been higher.

In March 2010, according to a Nielsen report, 2,581 online display advertisers ran nearly 7,027 campaigns (in all categories) consisting of over 18,477 banners. One year later, in March 2011, the number of advertisers had grown by 14.2% to 2,947, while the number of campaigns and banners had increased by 44.8% and 28.5% respectively, to 10,172 and 23,751.¹⁷

The Nielsen report also estimates that China's total online display advertising expenditure was CNY 1.8 billion in March 2011; a 15% increase year-on-year. The big online advertising spenders are mainly found in the automotive (23%), retail (21%) and computer and electronics industries (10%). They are jointly responsible for 55% of the month's advertising expenditure.¹⁸

A relatively new phenomenon is group buying online. The products that are frequently bought in these schemes include dining, fitness, beauty, tourism, education, and training. A recent example of a tourism package sold this way was a Yunnan Songkran Festival Tourism Package, which sold in 1,198 packages for CNY 3,800 each. Concerns have been raised, however, over a lack of laws governing group-buying, making consumers' rights difficult to protect.

8.4 Other Promotion Tools

8.4.1 Travel Fairs

There are a number of annual travel trade fairs in China and Hong Kong (China). A list of the most important is provided in annex IV. Travel trade fairs are seen as a good way for destinations to advertise their services within the country. The most important – if only because it has the support of the China National Tourism Administration – is the China International Travel Market (CITM), which alternates between Shanghai and Kunming every year in the month of November.

The CITM held in Shanghai in 2010, had a total of 2,243 exhibition booths encompassing 1,387 domestic and 856 overseas participators representing about 80 countries. Asia accounted for 69% of the exhibitors, Europe for 17%, Americas for 12%, and Oceania and Africa just over 1% each. The major categories of exhibitors were travel services (27%), hotel and hotel management groups (16%), tourism bureaus (36%) and tourist attractions (9%).¹⁹

A more dedicated outbound tourism event is the China Outbound Travel and Tourism Market (COTTM) in Beijing, providing a platform for international tourism boards and travel services to meet with China's key outbound tour operators. The latest one took place in April 2011. 235 exhibitors from 55 different countries showed their destinations alongside 3,300 leading outbound tour operators from all over of China.²⁰

17 Nielsen (2011), *China's internet and advertising* (Online), available: <http://www.cr-nielsen.com/wangluo/201104/18-1802.html> (27-06-2011).

18 Ibid.

19 CNTO (2010), *China International Travel Mart 2010: a huge event* (Online), available: <http://www.cnto.org.au/blog/china-international-travel-mart-2010-a-huge-event/> (27-06-2011).

20 075512 (2008), *China Union Pay landing in Singapore* (Online), available: <http://www.075512.com/html/267/> (27-06-2011).

8.4.2 Credit Cards

The Bank Association of China reports that 151 million credit cards had been issued by the end of the first quarter of 2009. This represented an almost fifteen-fold increase in five years (it stood at 10.8 million in 2004), despite strict monetary requirements for eligibility. In total, 1.9 billion bankcards were issued in China in 2009, of which 1.7 billion, or 92%, were debit cards. Over 2.4 billion bankcards were in circulation in 2010, a growth of 16% from 2009.²¹ The spending of Chinese Visa cardholders rose 64% in 2009 to US\$ 1.1 billion (equivalent to CNY 7.1 billion) in 2010.²²

The new group of cardholders has a selection of credit cards and mileage cards issued by airlines, beauty salon cards and gym cards. Chinese credit cards are also linked with international credit cards. For example, China Union Pay cards can be used as Visa cards and MasterCard. Various commercial institutions offer all kinds of preferential treatment to gold and silver cardholders, among which travel is an important item. Banks have issued dual-currency cards or debit cards that can be used abroad. Communications Bank, for example, had a promotion under the heading: 'Use your CUP cards to enjoy the Ice and Snow Festival in Korea'.

In the VIP room for gold or silver cardholders, Player's Travel, Trend Magazine and other travel magazines are on display. The Singapore Tourism Board cooperates with Visa International to issue multiple-entry visas valid for two years to Chinese platinum and gold Visa cardholders and their family members, since they are seen as being financially independent, creditworthy and (because they generate high travel demand) with high-yield potential.

Around 1 million Chinese have so far qualified for the multiple-entry visas. Cardholders simply have to go to one of the 12 appointed Chinese travel agencies to show their credit cards, pay CNY 100 plus a small service charge, and they receive multiple visas for themselves and their spouses and children.

Yuan debit cards can now be used in Hong Kong (China), Macao (China), the Republic of Korea, Thailand, and Japan. Airlines have also moved into the market. Air China has issued a 'companion card', which is both a membership card of Air China and a credit card of the China Merchants Bank. By using the card for shopping or obtaining cash, Chinese can accumulate mileage. The card can be used in more than 200 countries worldwide, and when a cardholder spends money abroad in foreign currency, he can pay the bank back in Chinese Yuan. Air China promotes the 'world tourism supermarket' to its cardholders, who can buy tours to many places in the world with a combination of accumulated mileage and some Chinese currency.

21 Broad Global Capital (2011), *BGCapital leaders met vice-president of Beijing Youth Daily newspaper* (Online), available: <http://www.broadglobalcapital.com/en/NewsView.asp?ID=135> (25-06-2011).

22 075512 (2008), *China Union Pay landing in Singapore* (Online), available: <http://www.075512.com/html/267/> (27-06-2011).

Future Prospects for Chinese Tourism

9.1 An Increasingly Sophisticated Market

9.1.1 Dynamic Growth Set to Continue

As a share of China's population, international trip volume is still very modest, although it has grown rapidly over the past 15 years – from around 0.2% in the early 1990s to nearly 1% in 2000 and to 5% in 2011. Even at this level, China's propensity to travel abroad remains well below that of its Japanese neighbours (13%), reflecting the huge untapped potential of the market. If the Chinese reach the Japanese level of foreign travel, the market will approach 170 million trips a year.

Moreover, socio-economic forecasts augur well for continued growth in travel and tourism demand. Annual GDP growth rates are expected to continue close to double digits for the foreseeable future, and disposable income for many sectors of the population is growing rapidly. This is being boosted by the appreciating Yuan, rising levels of education and more effective vocational training.

Meanwhile, China's ballooning middle-class is seeking new ways to spend their money as they gain greater purchasing power. Idealized as a means to greater self-realization, travel has become integral to the Chinese middle-class lifestyle.

9.1.2 The Main Drivers of Growth

In addition to the positive socio-economic environment, a number of other important factors are expected to drive growth in China's outbound travel market over the next few years. Among the most significant are:

- the emergence of an affluent middle class – from 175 million consumers currently to around 1.4 billion projected by 2030;¹
- the changing demographic profile of China – for example, increasing numbers of retirees, a growing middle-class and leisure culture;
- the rapid urbanisation of the population – presently half of China's population live in cities, and by 2030 that figure is expected to reach over 65%;
- the rise of secondary and tertiary cities, both as population centres and as generators of tourism;
- the increased and diversified leisure time – e.g. paid holiday time outside prescribed 'Golden Weeks' (see section 3.6 for detailed information);
- a growing ability and desire to spend money on leisure, including tourism, as well as a greater willingness to use credit cards to do so;
- the increased demand for authentic, high-quality goods – with Chinese nationals prepared to travel to buy an authentic Gucci handbag or Burberry trench coat, spending on luxury goods is expected to grow by 18% annually to reach US\$ 27 billion in 2015;²

1 China Digital Times (2011), *Chinese middle class four times larger than America* (Online), available: <http://chinadigitaltimes.net/2011/09/within-a-generation-china-middle-class-four-times-larger-than-americas/> (27-06-2011).

2 Mall China (2011) (Online), available: <http://english.mallchina.net/a/Researchs/ExpertView/2011/0322/2138.html> (02-07-2011).

- the increased online travel booking as well as ‘looking’ – while currently only 13% of travellers book their trips online, growth is rapid and represents huge potential, considering that 60% of travellers on western markets book online;³
- the increased airline capacity from China to popular short- and long-haul destinations – China is expected to become the world’s second-largest civil aviation market in the next decade;
- the increasing liberalisation/deregulation of China’s travel and tourism industry.

9.1.3 Caveats

While projections look remarkably optimistic, some words of caution are in order. Chinese travellers’ growing sophistication is already leading to stronger demands, not just for a quality experience, but also for fair and just treatment (for with stronger demands come increased levels of fraud and unethical business practices). Today’s Chinese tourist does not enjoy being ‘ripped off’ more than anyone else; assurance of a safe, fair, and hassle-free travel experience is necessary to ensure the continued growth of the Chinese travel market.

Although not likely to dampen Chinese enthusiasm for travel abroad, such concerns still necessitate attention from hotels, inbound operators, ground-handling agents, and others at the destinations chosen by Chinese travellers; this is particularly important in Europe, where suppliers still have relatively little experience with Chinese tourism. In order to provide good service, suppliers must remain vigilant and sensitive to the cultural differences between Chinese and nationals of the host countries they visit.

In addition, the increased demand among Chinese for quality does not mean that they will become less price-conscious. Determination among group tourists visiting Approved Destination Status (ADS) destinations to spend as little as possible on transport, food and accommodation is likely to continue. Most importantly, pricing will need to be totally transparent.

Other possible barriers to further Chinese outbound travel include:

- fluctuations in the Chinese economy. Notwithstanding current concerns – regional property bubbles, local governments’ excessive infrastructure investments, and an ageing population – few analysts foresee a dramatic slowdown of China’s growth. Increasing productivity in agriculture will free up labour for the industry and service sectors; the high savings rate means there is plenty of capital for investment; the education of the labour force keeps rising; and companies and cities around China are climbing the value-chain by focusing on innovation. These factors make slower but sustained economic growth the most likely scenario;
- renewed terrorism, natural disasters, epidemics, or political unrest – Chinese are nervous about possible threats to their safety and security. Iceland’s 2010 volcanic eruption as well as the earthquake and nuclear accident in Japan in 2011 threaten to disrupt tourism at any time. Disasters and accidents within China, such as the earthquake in Sichuan in 2008 and the Wenzhou bullet train crash in 2011, may also affect tourism. Social unrest could be another disruptive factor, caused by ethnic tensions in China’s western provinces, rising inflation, food security concerns, or corruption;
- the reduced price of luxury goods within China as tariffs come down, which may reduce Chinese tourists’ penchant for long-haul shopping trips. Since April 2011, for example, tourists visiting China’s southern tropical island of Hainan have been able to purchase duty-free imported goods.

3 ETC (2011), *Market Insights: China, January 2011* (Online), available: http://www.etc-corporate.org/resources/uploads/ETCProfile_China-1-2011.pdf (17-06-2011).

9.2 Prospects for Europe

9.2.1 Focus on the Medium to Longer Term

As discussed, Chinese outbound tourism is largely composed of travel to the special administrative regions of Hong Kong and Macao. But how much of this can be explained by preference, and how much by proximity? It is interesting to note that with regards to outbound travel through Beijing travel agencies, Hong Kong (China) and Macao (China) enjoy no clear advantage compared to Europe. Despite the fact that it takes more than three times as long time to fly from Beijing to Paris than to Hong Kong (9 hours 45 minutes vs. 3 hours 10 minutes), France in 2010 had 6% more tourists from Beijing than did Hong Kong. Parts of Europe apparently exert a strong attraction on Chinese tourists, boding well for a future where more Chinese will be wealthy enough to disregard proximity as a key factor in their choice of destinations. Moreover, tourism from Beijing – the part of China where the preference for going to Europe appears to be the strongest – is growing much faster than from elsewhere in China (see section 7.4 for details). Although the volume of Chinese travel to Europe will remain fairly modest in the short term, the medium- to longer-term prospects are excellent, based on recent surveys of current Chinese thought.

Many of the destinations considered in a Tourism Australia survey in Beijing and Shanghai were known to residents (see tables 9.1). 14% of Beijing's and 13% of Shanghai's potential travellers had recently heard something about Europe.

The survey on awareness of foreign destinations among residents in Beijing and Shanghai shows negligible differences between the two cities (see tables 9.1). In both cases, Europe ranks below Hong Kong (China), Macao (China), Taiwan (province of China), Japan and the Republic of Korea; and South-East Asia. The United States of America is the closest competitor, followed by Australia.

Table 9.1 Awareness of destinations (%)

Destinations	Beijing residents (%)	Shanghai residents (%)
Hong Kong, Macao, and Taiwan	29.4	34.2
Japan and the Republic of Korea	20.3	19.0
South-East Asia	19.5	17.1
Europe	14.0	12.8
United States of America	11.3	9.0
Australia	4.7	6.5
Africa	3.3	1.9
South America	2.5	2.7
Others	5.2	4.1

Source: China Tourism Academy (2011), *Annual report of China outbound tourism development*, pp. 123 and 142.

9.2.2 Europe Prominent on the Chinese Traveller's 'Wish List'

The Chinese in both Shanghai and Beijing rank Europe at the top of their lists of foreign destinations they potentially intend to visit. Around 28% of the respondents in a Tourism Australia survey of both cities cited Europe as their most probable destination. In addition, 20% in Beijing and 17% in Shanghai mentioned France – the favourite destination second only to Australia among Beijing residents and to Japan among Shanghai residents – while no other European destination was identified individually by respondents. More recently, Europe was chosen as the most desired destination by 40% in a sample of 600 Shanghainese in 2010.⁴

4 Junshier (2010) (Online), available: <http://www.junshier.com/2010/0930/3262.html> (03-07-2011).

In the 2009 *China's Outbound Tourism to Europe Consumer Survey*, 56.5% of respondents (sample size 14,391) said they had plans to visit Europe in the following two years. The survey shows that the top ten European destinations were France, Italy, Switzerland, Greece, the United Kingdom, Germany, Spain, the Netherlands, Austria and Denmark.⁵

5 Enorth (2011), *China's ten top destinations in Europe* (Online), available:
<http://news.enorth.com.cn/system/2009/09/04/004186811.shtml> (03-07-2011).

Countries and Territories with Approved Destination Status (ADS)

Table I.1 Countries and territories with Approved Destination Status

Country	Date ^a	Country	Date ^a
Asia and the Pacific			
Hong Kong (China)	1983	Maldives	2003
Macao, China	1983	Pakistan	2003
Thailand	1988	Sri Lanka	2003
Malaysia	1990	Lao PDR	2005
Singapore	1990	Northern Mariana Islands	2005
Philippines	1992	Fiji	2006
Republic of Korea	1998	Mongolia	2006
Australia	1999	Tonga	2006
New Zealand	1999	Vanuatu	2006
Brunei	2000	Bangladesh	2007
Cambodia	2000	Taiwan (province of China)	2008
Japan	2000	French Polynesia	2008
Myanmar	2000	Papua New Guinea	2009
Vietnam	2000	Democratic People's Rep. of Korea	2010
Indonesia	2002	Micronesia	2010
Nepal	2002	Uzbekistan	2010
India	2003	Samoa	2012

Country	Date ^a	Country	Date ^a
Europe			
Malta	2002	Greece	2004
Turkey	2002	Iceland	2004
Croatia	2003	Ireland	2004
Germany	2003	Italy	2004
Hungary	2003	Latvia	2004
Austria	2004	Liechtenstein	2004
Belgium	2004	Lithuania	2004
Cyprus	2004	Norway	2004
Czech Republic	2004	Poland	2004
Denmark	2004	Portugal	2004
Estonia	2004	Romania	2004
Finland	2004	Switzerland	2004
France	2004	Russian Federation	2005
Slovakia	2004	United Kingdom	2005
Slovenia	2004	Andorra	2007
Spain	2004	Bulgaria	2007
Sweden	2004	Monaco	2007
Netherlands	2004	Montenegro	2009
Luxembourg	2004	Republic of Serbia	2010

Americas			
Cuba	2003	Grenada	2006
Antigua and Barbuda	2005	Argentina	2007
Barbados	2005	Venezuela	2007
Brazil	2005	United States of America	2008 ^b
Chile	2005	Guyana	2009
Jamaica	2005	Ecuador	2009
Mexico	2005	Dominica	2009
Peru	2005	Canada	2010
Bahamas	2006	Colombia	2012

Country	Date ^a	Country	Date ^a
Africa and Middle East			
Egypt	2002	Morocco	2007
South Africa	2003	Syria	2007
Ethiopia	2004	Oman	2007
Jordan	2004	Namibia	2007
Kenya	2004	Israel	2008
Mauritius	2004	Republic of Cape Verde	2009
Seychelles	2004	Republic of Ghana	2009
Tanzania	2004	United Arab Emirates	2009
Tunisia	2004	Republic of Mali	2009
Zambia	2004	Lebanon	2010
Zimbabwe	2004	Islamic Republic of Iran	2011
Cameroon	2006	Madagascar	2012
Uganda	2007		

- a) Date at which ADS came into effect. A number of other countries have signed Memorandums of Understanding with the Chinese Government regarding ADS, but their respective agreements have not come into effect.
- b) Firstly those from Beijing Tianjin Shanghai Jiangsu, Zhejiang and Hunan Hubei, Hebei and Guangdong received ADS status. In 2009 Chinese citizens from Liaoning, Jilin and Heilongjiang Anhui, Shandong, Guangxi and Hainan Chongqing Sichuan, Yunnan and Shaanxi received ADS status. And lastly, in 2011, Inner Mongolia, Ningxia and Fujian officially received ADS status.

Note: Until July 1997 ADS was officially only for visits to friends and relatives (VFR tourism).

Source: China National Tourism Administration (2012), available at: <http://www.cnta.gov.cn/html/2009-5/2009-5-13-10-53-54953.html>.

Schengen Countries

In June 1985, five European Union member countries signed a treaty to end international border checkpoints and controls. These were Belgium, France, Germany, Luxembourg and The Netherlands. Iceland, Norway and several European Union member countries joined over the following years. By 1996, 15 countries had signed such treaties.

On May 2004, on their accession to EU membership, the following countries also signed the Schengen Agreement: Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Malta and Cyprus. Implementation followed in 2007, with the exception of Cyprus. Bulgaria and Romania signed the agreement in 2007, but for various reasons the implementation has been delayed so far. In 2008 Switzerland became part of the Schengen agreement, while Liechtenstein joined at the end of 2011 and Croatia is set to join in 2015.

Table II.1 Signatories to the Schengen Agreement by date signing or opting in and of first implementation

Country	Signature	Implementation	Country	Signature	Implementation
Belgium	1985	1995	Czech Republic	2004	2007
France	1985	1995	Estonia	2004	2007
Luxembourg	1985	1995	Hungary	2004	2007
Netherlands	1985	1995	Latvia	2004	2007
Germany	1985	1995	Lithuania	2004	2007
Portugal	1992	1995	Malta	2004	2007
Spain	1992	1995	Poland	2004	2007
Italy	1990	1997	Slovakia	2004	2007
Austria	1995	1997	Slovenia	2004	2007
Greece	1992	2000	Switzerland	2004	2008
Denmark	1996	2001	Liechtenstein	2008	2011
Finland	1996	2001	Cyprus	2004	Goal is by 2016
Iceland	1996	2001	Bulgaria	2007	No earlier than 2013
Norway	1996	2001	Romania	2007	
Sweden	1996	2001	Croatia	2011	Goal is by 2015

Source: http://en.wikipedia.org/wiki/Schengen_Area (retrieved 20-11-2012), see also www.auswaertiges-amt.de/EN/EinreiseUndAufenthalt/Schengen_node.html

Leading Outbound Travel Agencies in China

Beijing	China Travel Service (CTS) Head Office Tel.: +86 (0) 10 646 1259 Fax: +86 (0) 10 6461 2597 Email: gwc@bj.china.com
	China Comfort Travel Co. Tel: +86 (0) 10 6594 0881 Fax: +86 (0) 10 6594 0891 Email: cct2001@263.com
	China Youth Travel Service (CYTS) Tel: +86 (0) 10 5815 8272/ 8813 Fax: +86 (0) 10 5815 8826 Email: info@cytsonline.com
Shanghai	JinJiang Tours Ltd. Tel: +86 (0) 21 6466 2828 Fax: +86 (0) 21 6466 2297 Email: jjj@jjtravel.com
	HuaTing Overseas Tourist Company Tel: +86 (0) 21 6248 5469 Fax: +86 (0) 21 6248 5470 Email: httravel@public.sta.net.cn
Guangdong	GZL International Travel Service Tel: +86 (0) 20 8107 3490 Fax: +86 (0) 2 8109 8082 Email: gztcbgs@public.guangzhou.gd.cn
	China Travel Service (CTS) Tel: +86 (0) 20 8333 6888 Fax: +86 (0) 20 8333 2247 Email: webmaster8@gdcts.com
	China International Travel Service (CITS) Tel: +86 (0) 755 8233 8822 Fax: +86 (0) 755 8232 9832 Email: citssz@public.szptt.net.cn

Annex IV

Travel Trade Events in China

Event	Location	Date	More information
2011			
Guangzhou International Travel Fair (GITF)	Guangzhou	24-25 March	www.gitf.com.cn
World Travel Fair (WTF)	Shanghai	12-15 March	www.worldtravelfair.com.cn
Incentive Travel & Conferences, Meetings (IT&CM China)	Shanghai	13-15 April	www.itcmchina.com
China Outbound Travel and Tourism Market (COTTM)	Beijing	13-15 April	www.cottm.com
Beijing International Travel Expo (BITE)	Beijing	17-19 June	www.bitechina.com.cn
International Luxury Travel Market Asia	Shanghai	13-16 June	www.iltm.net/asia
China Incentive Business Travel and Meetings Exhibition (CIBTM)	Beijing	30 August-1 September	www.cibtm.travel
China International Travel Mart (CITM)	Kunming	27-30 October	N.A.
China Business Travel Forum (CBTF)	Shanghai	8-9 November	www.cbtf.cn
EATIF	Dalian	15-17 October	
2012			
World Travel Fair (WTF)	Shanghai	May	www.worldtravelfair.com.cn
Guangzhou International Travel Fair (GITF)	Guangzhou	1-3 March	www.gitf.com.cn
Incentive Travel & Conferences, Meetings (IT&CM China)	Shanghai	17-19 April	www.itcmchina.com
China Outbound Travel and Tourism Market (COTTM)	Beijing	18-20 April	www.cottm.com
Asia Luxury Travel Market (ALTM)	Shanghai	4-7 June	www.altm.com.cn
Beijing International Tourism Expo (BITE)	Beijing	Not announced	www.bitechina.com.cn
China International Travel Mart (CITM)	Shanghai	20-23 November	
International Luxury Travel Market Asia	Shanghai	4-7 June	www.iltm.net/asia
China Incentive Business Travel and Meetings Exhibition (CIBTM)	Beijing	12-14 September	www.cibtm.travel

Airlines Operating Non-stop Services from China and Hong Kong to Europe

Airline	Alliance	Number of flights	Number of seats	Originating airports and number of weekly flights	Destination airports and number of weekly flights
Cathay Pacific	OneWorld	63	22,751	HKG 63	LHR 28, CDG 7, AMS 7, FRA 7, FCO 7, MXP 4, DME 3
Air China	Star Alliance	71	19,352	PEK 59, PVG 12	FRA 14, CDG 7, LHR 7, FCO 7, SVO 10, MAD 5, ARN 5, MUC 4, FRA 7, MXP 5
Lufthansa	Star Alliance	51	15,044	PEK 7, PVG 10, CAN 3, NKG 3, HKG 7	FRA 30, MUC 21
Air France	Sky Team	45	12,916	PEK 14, PVG 14, CAN 3, HKG 14	CDG 45
KLM	Sky Team	32	8,985	PEK 7, PVG 11, CTU 4, HGH 3, HKG 7	AMS 32
British Airways	OneWorld	26	7,818	PEK 7, PVG 5, HKG 14	LHR 26
Aeroflot	Sky Team	26	6,463	PEK 14, PVG 7, HKG 5	SVO 26
China Eastern	–	24	6,066	PVG 24	CDG 10, FRA 5, LHR 4, SVO 3
Finnair	OneWorld	21	5,663	PEK 7, PVG 7, HKG 7	HEL 21
Hainan	–	20	4,506	PEK 17, PVG 3	BRU 4, BUD 4, SVO 3, TXL 4 LED 2, BRU 3
Virgin Atlantic	–	14	4,506	PEK 17, PVG 3	BRU 4, BUD 4, SVO 3, TXL 4 LED 2, BRU 3
Turkish	Star Alliance	14	4,195	PEK 5, PVG 5, HKG 4	IST 14
China Southern	Sky Team	15	3,792	PEK 7, CAN 4, URC 4	AMS 7, CDG 4, SVO 4
Swiss	Star Alliance	14	3,192	PVG 7, HKG 7	ZRH 14
Qantas	OneWorld	7	2,758	HKG 7	LHR 7
SAS	Star Alliance	7	1,715	PEK 7	CPH 7
Air New Zealand	Star Alliance	5	1,520	HKG 5	LHR 5
Austrian	Star Alliance	6	1,380	PEK 6	VIE 6
Transaero	–	3	1,098	PEK 2, SYX 1	DME 3
Aerosvit	–	3	690	PEK 3	KBP 3
Trans North	–	4	676	HKG 4	SVO 4

Note: As of September 2010.

List of Abbreviations

ADS	Approved Destination Status
AAGR	Average Annual Growth Rate
ANTO	Austrian National Tourist Office
APEC	Asia Pacific Economic Co-operation
CAAC	Civil Aviation Authority of China
CAPA	Centre for Asia Pacific Aviation
CCTV	Official Chinese television new network
CITS	China International Travel Service
CNNIC	China Internet Network Centre
CNAC	China National Aviation Corporation
CNNIC	China Internet Network Information Centre
CNTA	China National Tourism Administration
CNY	Chinese Yuan
CPITC	China Peace International Tourism
CTS	China Travel Service
CTA	China Tourism Academy
CTI	China Travel International
CYTS	China Youth Travel Service
DIMIA	Australian Department of Immigration, Multicultural and Indigenous Affairs
DZT	German National Tourist Board
ETC	European Travel Commission
ETOA	European Tour Operators' Association
EU	European Union
FIT	Foreign independent Traveller
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
HKTB	Hong Kong Tourism Board
IATA	International Air Transport Association
IMF	International Monetary Fund

INSEE	National Institute of Statistics and Economic Studies
IPS	International Passenger Survey (United Kingdom)
MICE	Meetings, Incentives, Conventions and Exhibitions
NPS	National People's Congress
NTA	National Tourism Administration
NTO	National Tourism Organisation
OECD	Organisation for Economic Co-operation and Development
PATA	Pacific Asia Travel Association
PRS	People's Republic China
PSB	Public Security Bureau
SARS	Severe Acute Respiratory Syndrome
SARs	Special Administrative Regions (i.e. Hong Kong (China) and Macao (China))
SEZ	Special Economic Zone
SOE	State Owned Enterprises
STB	Scandinavian Tourist Board
TFWA	Tax Free World Association
UNWTO	World Tourism Organization
TVE	Town Village Enterprise
VAC	Visa Application Centre
VFR	Visits to Friends and Relatives
WTO	World Trade Organization
YOY	Year on year

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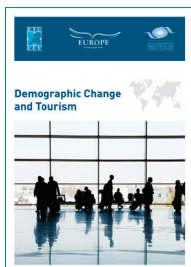
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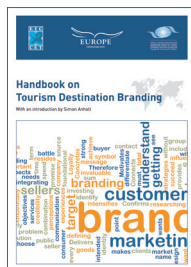
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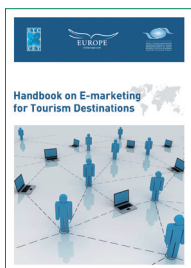
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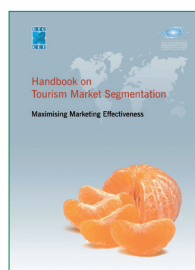
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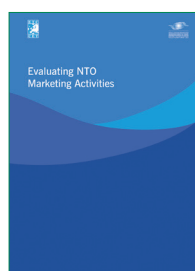


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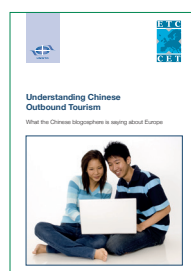


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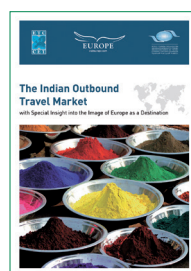
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